



**uMfolozi Municipality  
(Registration number KZN281)  
Annual Financial Statements  
for the year ended 30 June 2019  
Auditor General South Africa**

## **uMfolozi Municipality**

(Registration number KZN281)

Annual Financial Statements for the year ended 30 June 2019

### **General Information**

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**Legal form of entity**

Local Municipality

**Executive committee**

Mayor

Cllr SW Mgenge

Deputy Mayor

Cllr SR Thabethe

Speaker

Cllr ZD Mfusi

Committee Member

Cllr NT Mthiyane

Committee Member

Cllr ST Khumalo

Committee Member

Cllr BM Mkhize

**Grading of local authority**

1

**Accounting Officer**

K E Gamede

**Chief Finance Officer (CFO)**

K N Mthethwa

**Registered office**

25 Bredelia Street  
Kwa-Mbonambi  
3915

**Postal address**

P.O Box 96  
Kwa-Mbonambi  
3915

**Bankers**

ABSA Bank

**Auditors**

Auditor General South Africa

**Telephone**

(035) 580-1421

**Fax Number**

(035) 580-1141

**E-mail Address (Accounting Officer)**

mm@umfolozi.org.za

# **uMfolozi Municipality**

(Registration number KZN281)

Annual Financial Statements for the year ended 30 June 2019

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|         |  |
|---------|--|
| COID    | Compensation for Occupational Injuries and Diseases                |
| CRR     | Capital Replacement Reserve  |
| DBSA    | Development Bank of South Africa                                   |
| SA GAAP | South African Statements of Generally Accepted Accounting Practice |
| GRAP    | Generally Recognised Accounting Practice                           |
| GAMAP   | Generally Accepted Municipal Accounting Practice                   |
| HDF     | Housing Development Fund   |
| IAS     | International Accounting Standards                                 |
| IMFO    | Institute of Municipal Finance Officers                            |
| IPSAS   | International Public Sector Accounting Standards                   |
| ME's    | Municipal Entities   |
| MEC     | Member of the Executive Council                                    |
| MFMA    | Municipal Finance Management Act                                   |
| MIG     | Municipal Infrastructure Grant (Previously CMIP)                   |

## **uMfolozi Municipality**

(Registration number KZN281)

Annual Financial Statements for the year ended 30 June 2019

### **Accounting Officer's Responsibilities and Approval**

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The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and was given unrestricted access to all financial records and related data.

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the accounting officer sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The accounting officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The accounting officer has reviewed the municipality's cash flow forecast for the year to 30 June 2019 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The municipality is wholly dependent on the Municipality for continued funding of operations. The annual financial statements are prepared on the basis that the municipality is a going concern and that the Municipality has neither the intention nor the need to liquidate or curtail materially the scale of the municipality.

Although the accounting officer are primarily responsible for the financial affairs of the municipality, they are supported by the municipality's external auditors.

The annual financial statements set out on pages 4 to 51, which have been prepared on the going concern basis, were approved by the accounting officer on 30 August 2019 and were signed on its behalf by:

  
KE Gamede  
Accounting Officer

**uMfolozi Municipality**

(Registration number KZN281)

Annual Financial Statements for the year ended 30 June 2019

**Statement of Financial Position as at 30 June 2019**

| Figures in Rand                            | Note(s) | 30 June<br>2019    | 30 June<br>2018<br>Restated* |
|--|---------|--------------------|------------------------------|
| <b>Assets</b>                              |         |                    |                              |
| Current Assets                             |         |                    |                              |
| Receivables from non exchange transactions | 3       | 10,567,279         | 5,558,476                    |
| VAT receivable                             | 5       | 5,778,843          | 6,797,663                    |
| Cash and cash equivalents                  | 7       | 5,221,196          | 428,466                      |
|  |         | <b>21,567,318</b>  | <b>12,784,605</b>            |
| Non-Current Assets                         |         |                    |                              |
| Property, plant and equipment              | 8       | 302,467,768        | 246,749,152                  |
| Intangible assets                          | 9       | 2,471,935          | 761,780                      |
|  |         | <b>304,939,703</b> | <b>247,510,932</b>           |
| <b>Total Assets</b>                        |         | <b>326,507,021</b> | <b>260,295,537</b>           |
| <b>Liabilities</b>                         |         |                    |                              |
| Current Liabilities                        |         |                    |                              |
| Other financial liabilities                | 10      | 1,223,000          | 1,223,707                    |
| Finance lease obligation                   | 11      | 1,329,600          | 1,692,401                    |
| Payables from exchange transactions        | 12      | 31,868,075         | 32,169,604                   |
| Unspent conditional grants and receipts    | 13      | 3,099,574          | 5,223,279                    |
| Provisions                                 | 42      | 40,000             | 40,000                       |
|  |         | <b>37,560,249</b>  | <b>40,348,991</b>            |
| Non-Current Liabilities                    |         |                    |                              |
| Other financial liabilities                | 10      | 5,341,865          | 5,865,978                    |
| Finance lease obligation                   | 11      | 1,564,988          | 3,193,684                    |
|  |         | <b>6,906,853</b>   | <b>9,059,662</b>             |
| <b>Total Liabilities</b>                   |         | <b>44,467,102</b>  | <b>49,408,653</b>            |
| <b>Net Assets</b>                          |         | <b>282,039,919</b> | <b>210,886,884</b>           |
| Accumulated surplus                        |         | 282,039,919        | 210,886,884                  |

\* See Note

# uMfolozi Municipality

(Registration number KZN281)

Annual Financial Statements for the year ended 30 June 2019

## Statement of Financial Performance

| Figures in Rand                                     | Note(s) | 30 June<br>2019      | 30 June<br>2018<br>Restated* |
|---|---------|----------------------|------------------------------|
| <b>Revenue</b>                                      |         |                      |                              |
| <b>Revenue from exchange transactions</b>           |         |                      |                              |
| Service charges                                     | 14      | 507,677              | 476,258                      |
| Rental of facilities and equipment                  | 15      | 122,991              | 163,424                      |
| Licences and permits                                |         | 349,813              | 517,889                      |
| Operational revenue                                 | 16      | 133,346              | 183,387                      |
| Interest received                                   | 17      | 1,722,436            | 1,123,224                    |
| <b>Total revenue from exchange transactions</b>     |         | <b>2,836,263</b>     | <b>2,464,182</b>             |
| <b>Revenue from non-exchange transactions</b>       |         |                      |                              |
| <b>Taxation revenue</b>                             |         |                      |                              |
| Property rates                                      | 18      | 26,577,950           | 13,483,564                   |
| <b>Transfer revenue</b>                             |         |                      |                              |
| Government grants & subsidies                       | 19      | 167,847,302          | 157,333,045                  |
| Fines, Penalties and Forfeits                       |         | 1,752,275            | 5,416,098                    |
| Donations received                                  | 20      | 33,396,612           | 1,323,647                    |
| <b>Total revenue from non-exchange transactions</b> |         | <b>229,574,139</b>   | <b>177,556,354</b>           |
| <b>Total revenue</b>                                |         | <b>232,410,402</b>   | <b>180,020,536</b>           |
| <b>Expenditure</b>                                  |         |                      |                              |
| Employee related costs                              | 21      | (56,218,771)         | (47,638,835)                 |
| Remuneration of councillors                         | 22      | (10,841,649)         | (10,490,739)                 |
| Depreciation and amortisation                       | 23      | (9,338,705)          | (8,114,165)                  |
| Impairment loss                                     | 24      | -                    | (7,663,718)                  |
| Finance costs                                       | 25      | (1,175,999)          | (1,609,652)                  |
| Lease rentals on operating lease                    |         | (607,382)            | (578,773)                    |
| Debt Impairment                                     | 26      | (3,408,584)          | (6,456,397)                  |
| Contracted services                                 | 27      | (40,477,388)         | (44,898,138)                 |
| Transfers and Subsidies                             | 28      | (562,087)            | (1,531,755)                  |
| Operational costs                                   | 29      | (35,901,894)         | (30,572,149)                 |
| <b>Total expenditure</b>                            |         | <b>(158,532,459)</b> | <b>(159,354,321)</b>         |
| <b>Operating surplus</b>                            |         | <b>73,877,943</b>    | <b>20,666,215</b>            |
| (Loss) gain on disposal of assets and liabilities   |         | (599,778)            | 216,227                      |
| <b>Surplus for the year</b>                         |         | <b>73,278,165</b>    | <b>20,882,442</b>            |

\* See Note

## uMfolozi Municipality

(Registration number KZN281)

Annual Financial Statements for the year ended 30 June 2019

### Statement of Changes in Net Assets

| Figures in Rand                                       | Accumulated surplus | Total net assets   |
|---|---------------------|--------------------|
| <b>Balance at 01 July 2017</b>                        | <b>188,210,696</b>  | <b>188,210,696</b> |
| Changes in net assets                                 |                     |                    |
| Correction of error                                   | 1,793,746           | 1,793,746          |
| Net income (losses) recognised directly in net assets | 1,793,746           | 1,793,746          |
| Surplus for the year                                  | 20,882,442          | 20,882,442         |
| Total recognised income and expenses for the year     | 22,676,188          | 22,676,188         |
| Total changes   | 22,676,188          | 22,676,188         |
| Opening balance as previously reported                | 209,259,024         | 209,259,024        |
| Adjustments   |                     |                    |
| Correction of error                                   | 1,627,860           | 1,627,860          |
| <b>Restated* Balance at 01 July 2018 as restated*</b> | <b>210,886,884</b>  | <b>210,886,884</b> |
| Changes in net assets                                 |                     |                    |
| Surplus for the year                                  | 73,278,165          | 73,278,165         |
| Total changes   | 73,278,165          | 73,278,165         |
| <b>Balance at 30 June 2019</b>                        | <b>282,039,919</b>  | <b>282,039,919</b> |
| Note(s)   |                     |                    |

\* See Note

# uMfolozi Municipality

(Registration number KZN281)

Annual Financial Statements for the year ended 30 June 2019

## Cash Flow Statement

| Figures in Rand  | Note(s) | 30 June<br>2019            | 30 June<br>2018<br>Restated* |
|--|---------|----------------------------|------------------------------|
| <b>Cash flows from operating activities</b>                  |         |                            |                              |
| <b>Receipts</b>  |         |                            |                              |
| Sale of goods and services                                   |         | 52,739,056                 | 5,269,875                    |
| Grants   |         | 165,723,597                | 158,960,007                  |
| Interest income  |         | 1,155,109                  | 1,123,224                    |
| Other receipts   |         | -                          | 179,128                      |
| Fines  |         | 217,801                    | 294,320                      |
|  |         | <u>219,835,563</u>         | <u>165,826,554</u>           |
| <b>Payments</b>  |         |                            |                              |
| Employee costs   |         | (66,178,898)               | (58,125,315)                 |
| Suppliers  |         | (81,203,332)               | (73,604,120)                 |
| Finance costs  |         | (1,175,999)                | (1,609,652)                  |
| VAT  |         | 1,018,820                  | -                            |
|  |         | <u>(147,539,409)</u>       | <u>(133,339,087)</u>         |
| <b>Net cash flows from operating activities</b>              | 32      | <u><b>72,296,154</b></u>   | <u><b>32,487,467</b></u>     |
| <b>Cash flows from investing activities</b>                  |         |                            |                              |
| Purchase of property, plant and equipment                    | 8       | (63,415,317)               | (30,534,890)                 |
| Proceeds from sale of property, plant and equipment          | 8       | 1,080,469                  | 648,000                      |
| Purchase of other intangible assets                          | 9       | (2,044,877)                | (112,454)                    |
| <b>Net cash flows from investing activities</b>              |         | <u><b>(64,379,725)</b></u> | <u><b>(29,999,344)</b></u>   |
| <b>Cash flows from financing activities</b>                  |         |                            |                              |
| Repayment of other financial liabilities                     |         | (524,820)                  | (1,223,708)                  |
| Finance lease payments                                       |         | (2,598,879)                | (2,449,668)                  |
| <b>Net cash flows from financing activities</b>              |         | <u><b>(3,123,699)</b></u>  | <u><b>(3,673,376)</b></u>    |
| <b>Net (decrease)/ increase in cash and cash equivalents</b> |         | <u><b>4,792,730</b></u>    | <u><b>(1,185,253)</b></u>    |
| Cash and cash equivalents at the beginning of the year       |         | 428,466                    | 1,613,719                    |
| <b>Cash and cash equivalents at the end of the year</b>      | 7       | <u><b>5,221,196</b></u>    | <u><b>428,466</b></u>        |

\* See Note



# uMfolozi Municipality

(Registration number KZN281)

Annual Financial Statements for the year ended 30 June 2019

## Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

|  | Approved budget | Adjustments | Final Budget | Actual amounts on comparable basis | Difference between final budget and actual | Reference |
|--|-----------------|-------------|--------------|------------------------------------|--|-----------|
|--|-----------------|-------------|--------------|------------------------------------|--|-----------|

Figures in Rand

### Statement of Financial Performance

#### Revenue

##### Revenue from exchange transactions

|   |                  |                |                  |                  |                |    |
|---|------------------|----------------|------------------|------------------|----------------|----|
| Service charges                                 | 400,000          | 282,128        | 682,128          | 507,677          | (174,451)      | 43 |
| Rental of facilities and equipment              | 220,000          | (78,128)       | 141,872          | 122,991          | (18,881)       | 43 |
| Interest received (debtors)                     | 420,000          | -              | 420,000          | 567,327          | 147,327        | 43 |
| Licences and permits                            | 475,000          | (175,000)      | 300,000          | 349,813          | 49,813         | 43 |
| Operational revenue                             | 276,000          | -              | 276,000          | 133,346          | (142,654)      | 43 |
| Interest received - investment                  | 326,000          | 382,000        | 708,000          | 1,155,109        | 447,109        | 43 |
| <b>Total revenue from exchange transactions</b> | <b>2,117,000</b> | <b>411,000</b> | <b>2,528,000</b> | <b>2,836,263</b> | <b>308,263</b> |    |

##### Revenue from non-exchange transactions

##### Taxation revenue

|                |            |            |            |            |        |  |
|----------------|------------|------------|------------|------------|--------|--|
| Property rates | 10,796,000 | 15,738,000 | 26,534,000 | 26,577,950 | 43,950 |  |
|----------------|------------|------------|------------|------------|--------|--|

##### Transfer revenue

|                                    |             |            |             |             |           |    |
|------------------------------------|-------------|------------|-------------|-------------|-----------|----|
| Government grants & subsidies      | 158,637,000 | 4,361,000  | 162,998,000 | 167,847,302 | 4,849,302 |    |
| Public contributions and donations | -           | 33,560,000 | 33,560,000  | 33,396,612  | (163,388) | 43 |
| Fines, Penalties and Forfeits      | 450,000     | (150,000)  | 300,000     | 1,752,275   | 1,452,275 | 43 |

|   |                    |                   |                    |                    |                  |  |
|---|--------------------|-------------------|--------------------|--------------------|------------------|--|
| <b>Total revenue from non-exchange transactions</b> | <b>169,883,000</b> | <b>53,509,000</b> | <b>223,392,000</b> | <b>229,574,139</b> | <b>6,182,139</b> |  |
|---|--------------------|-------------------|--------------------|--------------------|------------------|--|

|                      |                    |                   |                    |                    |                  |  |
|----------------------|--------------------|-------------------|--------------------|--------------------|------------------|--|
| <b>Total revenue</b> | <b>172,000,000</b> | <b>53,920,000</b> | <b>225,920,000</b> | <b>232,410,402</b> | <b>6,490,402</b> |  |
|----------------------|--------------------|-------------------|--------------------|--------------------|------------------|--|

#### Expenditure

|                                  |              |             |              |              |             |    |
|----------------------------------|--------------|-------------|--------------|--------------|-------------|----|
| Employee Related Costs           | (56,655,935) | -           | (56,655,935) | (56,218,771) | 437,164     | 43 |
| Remuneration of councillors      | (10,490,740) | (342,969)   | (10,833,709) | (10,841,649) | (7,940)     |    |
| Depreciation and amortisation    | (2,000,000)  | (6,020,196) | (8,020,196)  | (9,338,705)  | (1,318,509) | 43 |
| Finance costs                    | (530,000)    | -           | (530,000)    | (1,175,999)  | (645,999)   | 43 |
| Lease rentals on operating lease | (400,000)    | (100,000)   | (500,000)    | (607,382)    | (107,382)   | 43 |
| Debt Impairment                  | (750,000)    | (5,358,010) | (6,108,010)  | (3,408,584)  | 2,699,426   | 43 |
| Contracted Services              | (37,761,924) | (2,504,067) | (40,265,991) | (40,477,388) | (211,397)   | 43 |
| Transfers and Subsidies          | (610,000)    | -           | (610,000)    | (562,087)    | 47,913      |    |
| Operational Costs                | (34,067,450) | (4,014,175) | (38,081,625) | (35,901,894) | 2,179,731   | 43 |

|                          |                      |                     |                      |                      |                  |  |
|--------------------------|----------------------|---------------------|----------------------|----------------------|------------------|--|
| <b>Total expenditure</b> | <b>(143,266,049)</b> | <b>(18,339,417)</b> | <b>(161,605,466)</b> | <b>(158,532,459)</b> | <b>3,073,007</b> |  |
|--------------------------|----------------------|---------------------|----------------------|----------------------|------------------|--|

|                          |                   |                   |                   |                   |                  |  |
|--------------------------|-------------------|-------------------|-------------------|-------------------|------------------|--|
| <b>Operating surplus</b> | <b>28,733,951</b> | <b>35,580,583</b> | <b>64,314,534</b> | <b>73,877,943</b> | <b>9,563,409</b> |  |
|--------------------------|-------------------|-------------------|-------------------|-------------------|------------------|--|

|  |   |   |   |           |           |  |
|--|---|---|---|-----------|-----------|--|
| Loss on disposal of assets and liabilities | - | - | - | (599,778) | (599,778) |  |
|--|---|---|---|-----------|-----------|--|

|                                |                   |                   |                   |                   |                  |  |
|--------------------------------|-------------------|-------------------|-------------------|-------------------|------------------|--|
| <b>Surplus before taxation</b> | <b>28,733,951</b> | <b>35,580,583</b> | <b>64,314,534</b> | <b>73,278,165</b> | <b>8,963,631</b> |  |
|--------------------------------|-------------------|-------------------|-------------------|-------------------|------------------|--|

|  |                   |                   |                   |                   |                  |  |
|--|-------------------|-------------------|-------------------|-------------------|------------------|--|
| <b>Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement</b> | <b>28,733,951</b> | <b>35,580,583</b> | <b>64,314,534</b> | <b>73,278,165</b> | <b>8,963,631</b> |  |
|--|-------------------|-------------------|-------------------|-------------------|------------------|--|

#### Reconciliation

# uMfolozi Municipality

(Registration number KZN281)

Annual Financial Statements for the year ended 30 June 2019

## Statement of Comparison of Budget and Actual Amounts

### Budget on Cash Basis

|  | Approved budget | Adjustments | Final Budget | Actual amounts on comparable basis | Difference between final budget and actual | Reference |
|--|-----------------|-------------|--------------|------------------------------------|--|-----------|
|--|-----------------|-------------|--------------|------------------------------------|--|-----------|

Figures in Rand

### Statement of Financial Position

#### Assets

##### Current Assets

|  |                   |          |                   |                   |                   |
|--|-------------------|----------|-------------------|-------------------|-------------------|
| Receivables from non exchange transactions | 7,500,000         | -        | 7,500,000         | 10,567,279        | 3,067,279         |
| VAT receivable                             | -                 | -        | -                 | 5,778,843         | 5,778,843         |
| Cash and cash equivalents                  | 3,937,000         | -        | 3,937,000         | 5,221,196         | 1,284,196         |
|  | <b>11,437,000</b> | <b>-</b> | <b>11,437,000</b> | <b>21,567,318</b> | <b>10,130,318</b> |

##### Non-Current Assets

|                               |                    |                   |                    |                    |                     |
|-------------------------------|--------------------|-------------------|--------------------|--------------------|---------------------|
| Property, plant and equipment | 294,340,950        | 36,130,583        | 330,471,533        | 302,467,768        | (28,003,765)        |
| Intangible assets             | 2,200,000          | (550,000)         | 1,650,000          | 2,471,935          | 821,935             |
|                               | <b>296,540,950</b> | <b>35,580,583</b> | <b>332,121,533</b> | <b>304,939,703</b> | <b>(27,181,830)</b> |

|                     |                    |                   |                    |                    |                     |
|---------------------|--------------------|-------------------|--------------------|--------------------|---------------------|
| <b>Total Assets</b> | <b>307,977,950</b> | <b>35,580,583</b> | <b>343,558,533</b> | <b>326,507,021</b> | <b>(17,051,512)</b> |
|---------------------|--------------------|-------------------|--------------------|--------------------|---------------------|

#### Liabilities

##### Current Liabilities

|   |                  |          |                  |                   |                   |
|---|------------------|----------|------------------|-------------------|-------------------|
| Other financial liabilities             | 1,223,000        | -        | 1,223,000        | 1,223,000         | -                 |
| Finance lease obligation                | -                | -        | -                | 1,329,600         | 1,329,600         |
| Payables from exchange transactions     | 5,560,453        | -        | 5,560,453        | 31,868,075        | 26,307,622        |
| Unspent conditional grants and receipts | -                | -        | -                | 3,099,574         | 3,099,574         |
| Provisions                              | -                | -        | -                | 40,000            | 40,000            |
|   | <b>6,783,453</b> | <b>-</b> | <b>6,783,453</b> | <b>37,560,249</b> | <b>30,776,796</b> |

##### Non-Current Liabilities

|                             |                  |          |                  |                  |                  |
|-----------------------------|------------------|----------|------------------|------------------|------------------|
| Other financial liabilities | 4,653,547        | -        | 4,653,547        | 5,341,865        | 688,318          |
| Finance lease obligation    | -                | -        | -                | 1,564,988        | 1,564,988        |
|                             | <b>4,653,547</b> | <b>-</b> | <b>4,653,547</b> | <b>6,906,853</b> | <b>2,253,306</b> |

|                          |                   |          |                   |                   |                   |
|--------------------------|-------------------|----------|-------------------|-------------------|-------------------|
| <b>Total Liabilities</b> | <b>11,437,000</b> | <b>-</b> | <b>11,437,000</b> | <b>44,467,102</b> | <b>33,030,102</b> |
|--------------------------|-------------------|----------|-------------------|-------------------|-------------------|

|                   |                    |                   |                    |                    |                     |
|-------------------|--------------------|-------------------|--------------------|--------------------|---------------------|
| <b>Net Assets</b> | <b>296,540,950</b> | <b>35,580,583</b> | <b>332,121,533</b> | <b>282,039,919</b> | <b>(50,081,614)</b> |
|-------------------|--------------------|-------------------|--------------------|--------------------|---------------------|

#### Net Assets

##### Net Assets Attributable to Owners of Controlling Entity

##### Reserves

|                     |             |            |             |             |              |
|---------------------|-------------|------------|-------------|-------------|--------------|
| Accumulated surplus | 296,540,950 | 35,580,583 | 332,121,533 | 282,039,919 | (50,081,614) |
|---------------------|-------------|------------|-------------|-------------|--------------|

# uMfolozi Municipality

(Registration number KZN281)

Annual Financial Statements for the year ended 30 June 2019

## Appropriation Statement

Figures in Rand

|  | Original budget    | Budget adjustments (i.t.o. s28 and s31 of the MFMA) | Final adjustments (i.t.o. s28 and s31 of the MFMA) | Shifting of funds (i.t.o. MFMA) | Virement (i.t.o. council approved policy) | Final budget       | Actual outcome     | Unauthorised expenditure | Variance         | Actual outcome as % of final budget | Actual outcome as % of original budget |
|--|--------------------|---|--|---------------------------------|---|--------------------|--------------------|--------------------------|------------------|-------------------------------------|--|
| <b>2019</b>  |                    |   |  |                                 |   |                    |                    |                          |                  |                                     |  |
| <b>Financial Performance</b>   |                    |   |  |                                 |   |                    |                    |                          |                  |                                     |  |
| Property rates   | 10,796,000         | 15,738,000  | 26,534,000   | -                               | -   | 26,534,000         | 26,577,950         |                          | 43,950           | 100 %                               | 246 %                                  |
| Service charges  | 400,000            | 282,128   | 682,128  | -                               | -   | 682,128            | 507,877            |                          | (174,451)        | 74 %                                | 127 %                                  |
| Rental Facilities  | 220,000            | (78,128)  | 141,872  | -                               | -   | 141,872            | 122,991            |                          | (18,881)         | 87 %                                | 56 %                                   |
| Interest received/(Debtors)  | 420,000            | -   | 420,000  | -                               | -   | 420,000            | 567,327            |                          | 147,327          | 135 %                               | 135 %                                  |
| Licences and permits   | 475,000            | (175,000)   | 300,000  | -                               | -   | 300,000            | 349,813            |                          | 49,813           | 117 %                               | 74 %                                   |
| Investment revenue   | 326,000            | 382,000   | 708,000  | -                               | -   | 708,000            | 1,155,109          |                          | 447,109          | 163 %                               | 354 %                                  |
| Government grants & subsidies  | 158,637,000        | 4,361,000   | 162,998,000  | -                               | -   | 162,998,000        | 167,847,302        |                          | 4,849,302        | 103 %                               | 106 %                                  |
| Fines, penalties & forfeits  | 450,000            | (150,000)   | 300,000  | -                               | -   | 300,000            | 1,752,275          |                          | 1,452,275        | 584 %                               | 389 %                                  |
| Public contributions and donations                                   | -                  | 33,560,000  | 33,560,000   | -                               | -   | 33,560,000         | 33,396,612         |                          | (163,388)        | 100 %                               | DIV/0 %                                |
| Operational revenue  | 276,000            | -   | 276,000  | -                               | -   | 276,000            | 133,348            |                          | (142,654)        | 48 %                                | 48 %                                   |
| <b>Total revenue (excluding capital transfers and contributions)</b> | <b>172,000,000</b> | <b>53,920,000</b>                                   | <b>225,920,000</b>                                 | <b>-</b>                        | <b>-</b>                                  | <b>225,920,000</b> | <b>232,410,402</b> |                          | <b>6,490,402</b> | <b>103 %</b>                        | <b>135 %</b>                           |
| Employee costs   | (56,655,935)       | -   | (56,655,935)                                       | -                               | -   | (56,655,935)       | (56,218,771)       |                          | 437,164          | 99 %                                | 99 %                                   |
| Remuneration of councillors  | (10,490,740)       | (342,969)   | (10,833,709)                                       | -                               | -   | (10,833,709)       | (10,841,649)       |                          | (7,940)          | 100 %                               | 103 %                                  |
| Debt impairment  | (750,000)          | (5,358,010)   | (6,108,010)  | -                               | -   | (6,108,010)        | (3,408,584)        |                          | 2,699,426        | 56 %                                | 454 %                                  |
| Depreciation and asset impairment                                    | (2,000,000)        | (6,020,196)   | (8,020,196)  | -                               | -   | (8,020,196)        | (9,338,705)        |                          | (1,318,509)      | 116 %                               | 467 %                                  |
| Finance charges  | (530,000)          | -   | (530,000)  | -                               | -   | (530,000)          | (1,175,999)        |                          | (645,999)        | 222 %                               | 222 %                                  |
| Contracted Services  | (37,761,924)       | (2,504,067)   | (40,265,991)                                       | -                               | -   | (40,265,991)       | (33,719,737)       |                          | 6,546,254        | 84 %                                | 89 %                                   |
| Lease Rentals  | (400,000)          | (100,000)   | (500,000)  | -                               | -   | (500,000)          | (607,382)          |                          | (107,382)        | 121 %                               | 152 %                                  |
| Operational costs  | (34,067,450)       | (4,014,175)   | (38,081,625)                                       | -                               | -   | (38,081,625)       | (42,659,545)       |                          | (4,577,920)      | 112 %                               | 125 %                                  |
| Transfers and subsidies  | (610,000)          | -   | (610,000)  | -                               | -   | (610,000)          | (562,087)          |                          | 47,913           | 92 %                                | 92 %                                   |

# uMfolozi Municipality

(Registration number KZN281)

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## Appropriation Statement

Figures in Rand

|  | Original budget      | Budget adjustments (l.t.o. s28 and s31 of the MFMA) | Final adjustments budget | Shifting of funds (l.t.o. s31 of the MFMA) | Virement (i.t.o. council approved policy) | Final budget         | Actual outcome       | Unauthorised expenditure | Variance         | Actual outcome as % of final budget | Actual outcome as % of original budget |
|--|----------------------|---|--------------------------|--|---|----------------------|----------------------|--------------------------|------------------|-------------------------------------|--|
| <b>Total expenditure</b>   | <b>(143,266,049)</b> | <b>(18,339,417)</b>                                 | <b>(161,605,466)</b>     |  | -   | <b>(161,605,466)</b> | <b>(158,532,459)</b> |                          | <b>-</b>         | <b>3,073,007</b>                    | <b>98 %</b>                            |
| <b>Surplus/(Deficit)</b>   | <b>28,733,951</b>    | <b>35,580,583</b>                                   | <b>64,314,534</b>        |  | -   | <b>64,314,534</b>    | <b>73,877,943</b>    |                          | <b>9,563,409</b> | <b>115 %</b>                        | <b>257 %</b>                           |
| Gain on disposal of assets and liabilities                         | -                    | -   | -                        | -  | -   | -                    | (598,778)            |                          | (598,778)        | DIV/0 %                             | DIV/0 %                                |
| <b>Surplus (Deficit) after capital transfers and contributions</b> | <b>28,733,951</b>    | <b>35,580,583</b>                                   | <b>64,314,534</b>        |  | -   | <b>64,314,534</b>    | <b>73,278,165</b>    |                          | <b>8,963,631</b> | <b>114 %</b>                        | <b>255 %</b>                           |
| <b>Surplus/(Deficit) for the year</b>                              | <b>28,733,951</b>    | <b>35,580,583</b>                                   | <b>64,314,534</b>        |  | -   | <b>64,314,534</b>    | <b>73,278,165</b>    |                          | <b>8,963,631</b> | <b>114 %</b>                        | <b>255 %</b>                           |

# **uMfolozi Municipality**

(Registration number KZN281)

Annual Financial Statements for the year ended 30 June 2019

## **Accounting Policies**

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### **1. Presentation of Annual Financial Statements**

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise. They are presented in South African Rand.

A summary of the significant accounting policies, which have been consistently applied in the preparation of these annual financial statements, are disclosed below.

These accounting policies are consistent with the previous period.

#### **1.1 Presentation currency**

These annual financial statements are presented in South African Rand, which is the functional currency of the municipality.

#### **1.2 Going concern assumption**

These annual financial statements have been prepared based on the expectation that the municipality will continue to operate as a going concern for at least the next 12 months.

##### **1.2.1 Comparative information**

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated. The nature and reason for the reclassification is disclosed. Where accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

##### **1.2.1.1 Municipal Standard Chart of Accounts (mSCOA) Implementation and Reclassification**

The Municipal Regulations on Standard Chart of Accounts promulgated in terms of Government Gazette 37577 dated 22 April 2014 apply to all municipalities and municipal entities and became effective from 1 July 2017.

The main objective of this regulation is to provide for a national standard in respect of uniform recording and classification of municipal budget and financial information at a transaction level by prescribing a standard chart of accounts for municipalities and municipal entities which:

a) are aligned to the budget formats and accounting standards prescribed for municipalities and municipal entities and with the standard chart of accounts for national and provincial government; and

b) enable uniform information sets recorded in terms of national norms and standards across the whole of government for the purposes of national policy coordination and reporting, benchmarking and performance measurement in the local government sphere.

The impact of this mSCOA regulations definitely affected the municipality's current business processes; transacting and reporting requirements.

#### **1.3 Significant judgements and sources of estimation uncertainty**

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgements include:

## **uMfolozi Municipality**

(Registration number KZN281)

Annual Financial Statements for the year ended 30 June 2019

### **Accounting Policies**

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#### **1.3 Significant judgements and sources of estimation uncertainty (continued)**

##### **Trade receivables / Held to maturity Investments and/or loans and receivables**

The municipality assesses its trade receivables, held to maturity investments and loans and receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the surplus makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The impairment for trade receivables, held to maturity investments and loans and receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period.

##### **Impairment testing**

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the [name a key assumption] assumption may change which may then impact our estimations and may then require a material adjustment to the carrying value of goodwill and tangible assets.

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. In addition, goodwill is tested on an annual basis for impairment. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of goodwill and tangible assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors including [list entity specific variables, i.e. production estimates, supply demand], together with economic factors such as [list economic factors such as exchange rates inflation interest].

##### **Provisions**

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 42 - Provisions.

##### **Useful lives of waste and water network and other assets**

The municipality's management determines the estimated useful lives and related depreciation charges for the waste water and water networks. This estimate is based on industry norm. Management will increase the depreciation charge where useful lives are less than previously estimated useful lives.

##### **Post retirement benefits**

The present value of the post retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) include the discount rate. Any changes in these assumptions will impact on the carrying amount of post retirement obligations.

The municipality determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the municipality considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note .

# **uMfolozi Municipality**

(Registration number KZN281)

Annual Financial Statements for the year ended 30 June 2019

## **Accounting Policies**

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### **1.3 Significant judgements and sources of estimation uncertainty (continued)**

#### **Allowance for doubtful debts**

On debtors an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the debtors carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

An impairment of trade receivables is accounted for by reducing the carrying amount of trade receivables through the use of an allowance account, and the amount of the loss is recognised in the Statement of Financial Performance within operating expenses. When a trade receivable is uncollectable, it is written off. Subsequent recoveries of amounts previously written off are credited against operating expenses in the Statement of Financial Performance.

Provision for doubtful debts is calculated by categorising the outstanding into three:

Category A are government properties and those who owe less than 30 days. Provision made for them.

Category B are those who are irregular payers, and the debt is more than 60 days. The provision is made at 25%

Category C are bad payers and the provision is at 50%

#### **1.4 Property, plant and equipment**

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, its deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Items such as spare parts, standby equipment and servicing equipment are recognised when they meet the definition of property, plant and equipment.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.



## uMfolozi Municipality

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### Accounting Policies

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#### 1.4 Property, plant and equipment (continued)

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses except for X,X and X which is carried at revalued amount being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Property, plant and equipment is carried at revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Revaluations are made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is restated proportionately with the change in the gross carrying amount of the asset so that the carrying amount of the asset after revaluation equals its revalued amount.

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset.

Any increase in an asset's carrying amount, as a result of a revaluation, is credited directly to a revaluation surplus. The increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

Any decrease in an asset's carrying amount, as a result of a revaluation, is recognised in surplus or deficit in the current period. The decrease is debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to retained earnings when the asset is derecognised.

The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to retained earnings as the asset is used. The amount transferred is equal to the difference between depreciation based on the revalued carrying amount and depreciation based on the original cost of the asset.

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

Property, plant and equipment is carried at revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

Any increase in an asset's carrying amount, as a result of a revaluation, is credited directly to a revaluation surplus. The increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

Any decrease in an asset's carrying amount, as a result of a revaluation, is recognised in surplus or deficit in the current period. The decrease is debited in revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

The useful lives of items of property, plant and equipment have been assessed as follows:

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| Item                  | Depreciation method | Average useful life |
|-----------------------|---------------------|---------------------|
| Infrastructure        | Straight line       |                     |
| • Roads and paving    |                     | 30                  |
| • Stormwater drainage |                     | 20                  |

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# uMfolozi Municipality

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## Accounting Policies

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### 1.4 Property, plant and equipment (continued)

|                                     |               |       |
|-------------------------------------|---------------|-------|
| Community                           | Straight line |       |
| • Buildings                         |               | 30    |
| • Recreational Facilities           |               | 20-30 |
| • Community Halls                   |               | 30    |
| • Parks and Gardens                 |               | 30    |
| • Libraries                         |               | 30    |
| Other property, plant and equipment | Straight line |       |
| • Buildings                         |               | 30    |
| • Specialised Vehicles              |               | 10    |
| • Other Vehicles                    |               | 5     |
| Equipment and Furniture             | Straight line |       |
| • Office Equipment                  |               | 4     |
| • Furniture and Fittings            |               | 7-10  |
| • Bins and Containers               |               | 5     |
| • Specialised plant and equipment   |               | 10-15 |
| Other                               | Straight line |       |
| • Emergency Equipment               |               | 15    |
| • Computer Equipment                |               | 7     |
| • Landfill Sites                    |               | 15    |

The depreciable amount of an asset is allocated on a systematic basis over its useful life.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the municipality. The depreciation method applied to an asset is reviewed at least at each reporting date and, if there has been a significant change in the expected pattern of consumption of the future economic benefits or service potential embodied in the asset, the method is changed to reflect the changed pattern. Such a change is accounted for as a change in an accounting estimate.

The municipality assesses at each reporting date whether there is any indication that the municipality expectations about the residual value and the useful life of an asset have changed since the preceding reporting date. If any such indication exists, the municipality revises the expected useful life and/or residual value accordingly. The change is accounted for as a change in an accounting estimate.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Assets which the municipality holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the cash flow statement.

The municipality separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the financial statements (see note ).

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note ).

# uMfolozi Municipality

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## Accounting Policies

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### 1.5 Intangible assets

An asset is identifiable if it either:

- is separable, i.e. is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the entity intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the municipality or from other rights and obligations.

A binding arrangement describes an arrangement that confers similar rights and obligations on the parties to it as if it were in the form of a contract.

An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and
- the cost or fair value of the asset can be measured reliably.

The municipality assesses the probability of expected future economic benefits or service potential using reasonable and supportable assumptions that represent management's best estimate of the set of economic conditions that will exist over the useful life of the asset.

Where an intangible asset is acquired through a non-exchange transaction, its initial cost at the date of acquisition is measured at its fair value as at that date.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

Internally generated goodwill is not recognised as an intangible asset.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

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| Item                     | Depreciation method | Average useful life |
|--------------------------|---------------------|---------------------|
| Computer software, other | Straight line       | 5 Years             |

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## **uMfolozi Municipality**

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### **Accounting Policies**

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#### **1.5 Intangible assets (continued)**

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note ).

#### **1.6 Financial instruments**

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity.

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility.

A concessionary loan is a loan granted to or received by an entity on terms that are not market related.

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Derecognition is the removal of a previously recognised financial asset or financial liability from an entity's statement of financial position.

A derivative is a financial instrument or other contract with all three of the following characteristics:

- Its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract (sometimes called the 'underlying').
- It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors.
- It is settled at a future date.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, an entity shall estimate cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but shall not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate (see the Standard of GRAP on Revenue from Exchange Transactions), transaction costs, and all other premiums or discounts. There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, in those rare cases when it is not possible to reliably estimate the cash flows or the expected life of a financial instrument (or group of financial instruments), the entity shall use the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction.

A financial asset is:

- cash;
- a residual interest of another entity; or
- a contractual right to:
  - receive cash or another financial asset from another entity; or
  - exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

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#### **1.6 Financial instruments (continued)**

A financial liability is any liability that is a contractual obligation to:

- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Liquidity risk is the risk encountered by an entity in the event of difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

Loans payable are financial liabilities, other than short-term payables on normal credit terms.

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

A financial asset is past due when a counterparty has failed to make a payment when contractually due.

A residual interest is any contract that manifests an interest in the assets of an entity after deducting all of its liabilities. A residual interest includes contributions from owners, which may be shown as:

- equity instruments or similar forms of unitised capital;
- a formal designation of a transfer of resources (or a class of such transfers) by the parties to the transaction as forming part of an entity's net assets, either before the contribution occurs or at the time of the contribution; or
- a formal agreement, in relation to the contribution, establishing or increasing an existing financial interest in the net assets of an entity.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability. An incremental cost is one that would not have been incurred if the entity had not acquired, issued or disposed of the financial instrument.

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:

- the entity designates at fair value at initial recognition; or
- are held for trading.

Financial instruments at cost are investments in residual interests that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured.

Financial instruments at fair value comprise financial assets or financial liabilities that are:

- derivatives;
- combined instruments that are designated at fair value;
- instruments held for trading. A financial instrument is held for trading if:
  - it is acquired or incurred principally for the purpose of selling or repurchasing it in the near-term; or
  - on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking;
  - non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; and
  - financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

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### **1.6 Financial instruments (continued)**

#### **Initial recognition**

The entity recognises a financial asset or a financial liability in its statement of financial position when the entity becomes a party to the contractual provisions of the instrument.

The entity recognises financial assets using trade date accounting.

#### **Initial measurement of financial assets and financial liabilities**

The entity measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

The entity measures a financial asset and financial liability initially at its fair value [if subsequently measured at fair value].

The entity first assesses whether the substance of a concessionary loan is in fact a loan. On initial recognition, the entity analyses a concessionary loan into its component parts and accounts for each component separately. The entity accounts for that part of a concessionary loan that is:

- a social benefit in accordance with the Framework for the Preparation and Presentation of Financial Statements, where it is the issuer of the loan; or
- non-exchange revenue, in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers), where it is the recipient of the loan.

### **1.7 Leases**

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and buildings elements, the entity assesses the classification of each element separately.

#### **Finance leases - lessor**

The municipality recognises finance lease receivables as assets on the statement of financial position. Such assets are presented as a receivable at an amount equal to the net investment in the lease.

Finance revenue is recognised based on a pattern reflecting a constant periodic rate of return on the municipality's net investment in the finance lease.

#### **Finance leases - lessee**

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

Any contingent rents are expensed in the period in which they are incurred.

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### **1.7 Leases (continued)**

#### **Operating leases - lessor**

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

The aggregate cost of incentives is recognised as a reduction of rental revenue over the lease term on a straight-line basis.

The aggregate benefit of incentives is recognised as a reduction of rental expense over the lease term on a straight-line basis.

Income for leases is disclosed under revenue in statement of financial performance.

#### **Operating leases - lessee**

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

### **1.8 Employee benefits**

Employee benefits are all forms of consideration given by an entity in exchange for service rendered by employees.

A qualifying insurance policy is an insurance policy issued by an insurer that is not a related party (as defined in the Standard of GRAP on Related Party Disclosures) of the reporting entity, if the proceeds of the policy can be used only to pay or fund employee benefits under a defined benefit plan and are not available to the reporting entity's own creditors (even in liquidation) and cannot be paid to the reporting entity, unless either:

- the proceeds represent surplus assets that are not needed for the policy to meet all the related employee benefit obligations; or
- the proceeds are returned to the reporting entity to reimburse it for employee benefits already paid.

Termination benefits are employee benefits payable as a result of either:

- an entity's decision to terminate an employee's employment before the normal retirement date; or
- an employee's decision to accept voluntary redundancy in exchange for those benefits.

Other long-term employee benefits are employee benefits (other than post-employment benefits and termination benefits) that are not due to be settled within twelve months after the end of the period in which the employees render the related service.

Vested employee benefits are employee benefits that are not conditional on future employment.

Composite social security programmes are established by legislation and operate as multi-employer plans to provide post-employment benefits as well as to provide benefits that are not consideration in exchange for service rendered by employees.

A constructive obligation is an obligation that derives from an entity's actions where by an established pattern of past practice, published policies or a sufficiently specific current statement, the entity has indicated to other parties that it will accept certain responsibilities and as a result, the entity has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

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## **Accounting Policies**

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### **1.8 Employee benefits (continued)**

#### **Short-term employee benefits**

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service.

Short-term employee benefits include items such as:

- wages, salaries and social security contributions;
- short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employees render the related employee service;
- bonus, incentive and performance related payments payable within twelve months after the end of the reporting period in which the employees render the related service; and
- non-monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars and cellphones) for current employees.

When an employee has rendered service to the entity during a reporting period, the entity recognise the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the entity recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The entity measure the expected cost of accumulating compensated absences as the additional amount that the entity expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The entity recognise the expected cost of bonus, incentive and performance related payments when the entity has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the entity has no realistic alternative but to make the payments.

#### **Post-employment benefits**

Post-employment benefits are employee benefits (other than termination benefits) which are payable after the completion of employment.

Post-employment benefit plans are formal or informal arrangements under which an entity provides post-employment benefits for one or more employees.

Multi-employer plans are defined contribution plans (other than state plans and composite social security programmes) or defined benefit plans (other than state plans) that pool the assets contributed by various entities that are not under common control and use those assets to provide benefits to employees of more than one entity, on the basis that contribution and benefit levels are determined without regard to the identity of the entity that employs the employees concerned.

### **1.9 Provisions and contingencies**

Provisions are recognised when:

- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

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#### 1.9 Provisions and contingencies (continued)

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the municipality settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating surplus (deficit).

If an entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

A constructive obligation to restructure arises only when an entity:

- has a detailed formal plan for the restructuring, identifying at least:
  - the activity/operating unit or part of a activity/operating unit concerned;
  - the principal locations affected;
  - the location, function, and approximate number of employees who will be compensated for services being terminated;
  - the expenditures that will be undertaken; and
  - when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both:

- necessarily entailed by the restructuring; and
- not associated with the ongoing activities of the municipality

No obligation arises as a consequence of the sale or transfer of an operation until the municipality is committed to the sale or transfer, that is, there is a binding arrangement.

After their initial recognition contingent liabilities recognised in entity combinations that are recognised separately are subsequently measured at the higher of:

- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 43.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

The municipality recognises a provision for financial guarantees and loan commitments when it is probable that an outflow of resources embodying economic benefits and service potential will be required to settle the obligation and a reliable estimate of the obligation can be made.

Determining whether an outflow of resources is probable in relation to financial guarantees requires judgement. Indications that an outflow of resources may be probable are:

- financial difficulty of the debtor;
- defaults or delinquencies in interest and capital repayments by the debtor;
- breaches of the terms of the debt instrument that result in it being payable earlier than the agreed term and the ability of the debtor to settle its obligation on the amended terms; and



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### **1.9 Provisions and contingencies (continued)**

- a decline in prevailing economic circumstances (e.g. high interest rates, inflation and unemployment) that impact on the ability of entities to repay their obligations.

Where a fee is received by the municipality for issuing a financial guarantee and/or where a fee is charged on loan commitments, it is considered in determining the best estimate of the amount required to settle the obligation at reporting date. Where a fee is charged and the municipality considers that an outflow of economic resources is probable, an municipality recognises the obligation at the higher of:

- the amount determined using in the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets; and
- the amount of the fee initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the Standard of GRAP on Revenue from Exchange Transactions.

### **1.10 Commitments**

Items are classified as commitments when an entity has committed itself to future transactions that will normally result in the outflow of cash.

Disclosures are required in respect of unrecognised contractual commitments.

Commitments for which disclosure is necessary to achieve a fair presentation should be disclosed in a note to the financial statements, if both the following criteria are met:

- Contracts should be non-cancellable or only cancellable at significant cost (for example, contracts for computer or building maintenance services); and
- Contracts should relate to something other than the routine, steady, state business of the entity – therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.

### **1.11 Revenue from exchange transactions**

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

### **Measurement**

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

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## **Accounting Policies**

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### **1.11 Revenue from exchange transactions (continued)**

#### **Rendering of services**

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by .

#### **Interest, royalties and dividends**

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends or similar distributions is recognised when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, and
- The amount of the revenue can be measured reliably.

Interest is recognised, in surplus or deficit, using the effective interest rate method.

Royalties are recognised as they are earned in accordance with the substance of the relevant agreements.

Dividends or similar distributions are recognised, in surplus or deficit, when the municipality's right to receive payment has been established.

Service fees included in the price of the product are recognised as revenue over the period during which the service is performed.

### **1.12 Revenue from non-exchange transactions**

Revenue comprises gross inflows of economic benefits or service potential received and receivable by an municipality, which represents an increase in net assets, other than increases relating to contributions from owners.

Conditions on transferred assets are stipulations that specify that the future economic benefits or service potential embodied in the asset is required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.

Control of an asset arise when the municipality can use or otherwise benefit from the asset in pursuit of its objectives and can exclude or otherwise regulate the access of others to that benefit.

Exchange transactions are transactions in which one entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of cash, goods, services, or use of assets) to another entity in exchange.

Expenses paid through the tax system are amounts that are available to beneficiaries regardless of whether or not they pay taxes.

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## **Accounting Policies**

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### **1.12 Revenue from non-exchange transactions (continued)**

Fines are economic benefits or service potential received or receivable by entities, as determined by a court or other law enforcement body, as a consequence of the breach of laws or regulations.

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, an municipality either receives value from another municipality without directly giving approximately equal value in exchange, or gives value to another municipality without directly receiving approximately equal value in exchange.

Restrictions on transferred assets are stipulations that limit or direct the purposes for which a transferred asset may be used, but do not specify that future economic benefits or service potential is required to be returned to the transferor if not deployed as specified.

Stipulations on transferred assets are terms in laws or regulation, or a binding arrangement, imposed upon the use of a transferred asset by entities external to the reporting municipality.

Tax expenditures are preferential provisions of the tax law that provide certain taxpayers with concessions that are not available to others.

The taxable event is the event that the government, legislature or other authority has determined will be subject to taxation.

Taxes are economic benefits or service potential compulsorily paid or payable to entities, in accordance with laws and or regulations, established to provide revenue to government. Taxes do not include fines or other penalties imposed for breaches of the law.

Transfers are inflows of future economic benefits or service potential from non-exchange transactions, other than taxes.

#### **Fines**

Revenue from the issuing of fines is recognised when:

- It is probable that the economic benefits or services potential associated with the transaction will flow to the municipality; and
- The amount of revenue can be measured reliable.

The municipality has one type of fines: namely traffic fines. There is certainty regarding the probability of the flow of the economic benefits or services potential in respect of traffic fines as these fines are usually not given directly to an offender. Further legal processes have to be undertaken before the fine is enforceable. In respect of summons the public prosecutor can decide whether to waive the fine, reduce it or prosecute for non-payment by the offender. An estimate is made for the revenue amount collected from fines and summons based on the past experience of amount collected. Whether a reliable estimate cannot be made of revenue from summons, the revenue is recognised when the public prosecutor pays over the entity the cash actually collected on summoned issues, therefore the municipality impairment the outstanding amount at the year

### **1.13 Investment income**

Investment income is recognised on a time-proportion basis using the effective interest method.

### **1.14 Comparative figures**

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

### **1.15 Unauthorised expenditure**

Unauthorised expenditure means:

- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

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#### **1.16 Fruitless and wasteful expenditure**

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

#### **1.17 Irregular expenditure**

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

#### **1.18 Budget information**

Municipality are typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

General purpose financial reporting by municipality shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The approved budget is prepared on a cash basis and presented by economic classification linked to performance outcome objectives.

#### **1.19 Related parties**

A related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control.

Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Joint control is the agreed sharing of control over an activity by a binding arrangement, and exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control (the venturers).

Related party transaction is a transfer of resources, services or obligations between the reporting entity and a related party, regardless of whether a price is charged.

Significant influence is the power to participate in the financial and operating policy decisions of an entity, but is not control over those policies.

Management are those persons responsible for planning, directing and controlling the activities of the municipality, including those charged with the governance of the municipality in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the municipality.

The municipality is exempt from disclosure requirements in relation to related party transactions if that transaction occurs within normal supplier and/or client/recipient relationships on terms and conditions no more or less favourable than those which it is reasonable to expect the municipality to have adopted if dealing with that individual entity or person in the same circumstances and terms and conditions are within the normal operating parameters established by that reporting entity's legal mandate.

Where the municipality is exempt from the disclosures in accordance with the above, the municipality discloses narrative information about the nature of the transactions and the related outstanding balances, to enable users of the entity's financial statements to understand the effect of related party transactions on its annual financial statements.

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### **Accounting Policies**

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#### **1.20 Cash and cash equivalents**

Cash and cash equivalents are measured at amortised cost. Cash includes cash on hand and cash with banks. Cash equivalents are short-term highly liquid investments that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of changes in value.

For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand and deposits held on call with bank, net bank overdrafts. The municipality categorises cash and cash equivalents as financial assets: loans and receivables. The closing balance on the bank account is representative of its fair value of the monies held.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdrafts are expensed as incurred. Amounts owing in respect of bank overdrafts are categorised as financial liabilities: other financial liabilities carried at amortised cost.

#### **1.21 Events after reporting date**

Events after reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

The municipality will adjust the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

The municipality will disclose the nature of the event and an estimate of its financial effect or a statement that such estimate cannot be made in respect of all material non-adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the financial statements.

#### **1.22 VAT**

The Municipality accounts for Value Added Tax on payment basis. This means that VAT is declared to the South African Revenue Services as input VAT or output VAT only when payments are made to suppliers or payments are received for goods or services

#### **1.23 Trade Payables**

Based on Section 65 of MFMA Trade Payables are recognised when they are incurred and accounts for the payments made by municipality to maintain system of internal control in respect of creditors and payments and that;

All money owing by the municipality be paid within 30 days of receiving a relevant invoice unless prescribed otherwise for certain categories of expenditure,

Municipal complies with its tax, levy, duty, pension, medical aid, audit fees and other satutory commitments,

Any dispute concerning payments due by the municipality to another organ of the state is disposed of in terms of legislating disputes between organ of state, that the municipality's available working capital is managed effectively and economically in terms of the prescribed cash management and investment framework and that all financial accounts of the municipality are closed at the end of each month and reconciled with its records.

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## Notes to the Annual Financial Statements

| Figures in Rand | 30 June<br>2019 | 30 June<br>2018 |
|-----------------|-----------------|-----------------|
|-----------------|-----------------|-----------------|

### 2. New standards and interpretations

#### 2.1. New Standards, Amendments and Interpretations to GRAP Standards Approved but not yet effective:

|          |   |                             |
|----------|---|-----------------------------|
| GRAP 34  | Separate Financial Statements               | Effective date not approved |
| GRAP 35  | Consolidated Financial Statements           | Effective date not approved |
| GRAP 36  | Investment in Associates and Joint Ventures | Effective date not approved |
| GRAP 37  | Joint Arrangements                          | Effective date not approved |
| GRAP 38  | Disclosure of Interest in other Entities    | Effective date not approved |
| GRAP 104 | Financial Instruments                       | Effective date not approved |
| GRAP 110 | Living and Non-living Resources             | Effective date not approved |

#### 2.2. Standards and interpretations effective and adopted in the current year, 01 April 2019:

|          |  |
|----------|--|
| GRAP 20  | Related party disclosures                                    |
| GRAP 32  | Standard of GRAP on Service concession arrangements: grantor |
| GRAP 108 | Statutory receivables  |
| GRAP 109 | Accounting by principles and agent                           |

### 3. Receivables from non exchange transactions

|                              |                   |                  |
|------------------------------|-------------------|------------------|
| Consumer Debtors             | 13,951,757        | 7,844,755        |
| Provision for Doubtful Debts | (3,384,478)       | (2,286,279)      |
|                              | <b>10,567,279</b> | <b>5,558,476</b> |

#### Reconciliation of provision for impairment of trade and other receivables

|                          |                  |                  |
|--------------------------|------------------|------------------|
| Opening balance          | 2,286,279        | 1,512,669        |
| Provision for impairment | 1,098,199        | 773,610          |
|                          | <b>3,384,478</b> | <b>2,286,279</b> |

### 4. Receivables from non-exchange transactions

|                           |              |             |
|---------------------------|--------------|-------------|
| Fines                     | 11,358,746   | 9,845,349   |
| Allowances for impairment | (11,358,746) | (9,845,349) |
|                           | <b>-</b>     | <b>-</b>    |

#### Reconciliation for traffic fines impairment of receivables from non-exchange

|                          |                   |                  |
|--------------------------|-------------------|------------------|
| Opening balance          | 9,845,349         | 4,723,571        |
| Provision for impairment | 1,513,397         | 5,121,778        |
|                          | <b>11,358,746</b> | <b>9,845,349</b> |

### 5. VAT receivable

|                    |                  |                  |
|--------------------|------------------|------------------|
| VAT                | 5,778,843        | 6,797,663        |
|                    | <b>5,778,843</b> | <b>6,797,663</b> |
| <b>VAT summary</b> |                  |                  |
| Opening balance    | 6,797,663        | 5,891,508        |
| Movement           | (1,018,820)      | 906,155          |
|                    | <b>5,778,843</b> | <b>6,797,663</b> |

# uMfolozi Municipality

(Registration number KZN281)

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

| Figures in Rand   | 30 June<br>2019    | 30 June<br>2018    |
|---|--------------------|--------------------|
| <b>6. Summary of consumer debtors</b>                   |                    |                    |
| <b>Rates</b>  |                    |                    |
| Current (0 - 30 days)                                   | 1,670,805          | 1,149,465          |
| 31 - 60 days  | 5,232,875          | 379,706            |
| 61 - 90 days  | 283,272            | 340,258            |
| 91 - 120 days   | 264,484            | 311,471            |
| 121 - 365 days  | 6,500,321          | 5,663,914          |
|   | <b>13,951,757</b>  | <b>7,844,814</b>   |
| Summary of consumer debtors by customer classification: |                    |                    |
| <b>Residential</b>                                      |                    |                    |
| Current (0 - 30 days)                                   | 325,019            | 469,301            |
| 31 - 60 days  | 131,635            | 121,975            |
| 61 - 90 days  | 108,881            | 110,228            |
| 91 - 120 days   | 103,146            | 100,673            |
| 121 - 365 days  | 2,878,847          | 2,587,703          |
|   | <b>3,547,527</b>   | <b>3,389,880</b>   |
| Less: Allowance for impairment                          | <b>(1,929,152)</b> | <b>(1,498,203)</b> |
|   | <b>1,618,375</b>   | <b>1,891,677</b>   |
| <b>Commercial and Industrial</b>                        |                    |                    |
| Current (0 - 30 days)                                   | 1,400,623          | 685,103            |
| 31 - 60 days  | 193,144            | 110,603            |
| 61 - 90 days  | 191,637            | 90,405             |
| 91 - 120 days   | 153,229            | 77,495             |
| 121 - 365 days  | 2,973,177          | 1,476,489          |
|   | <b>4,911,810</b>   | <b>2,440,095</b>   |
| Less: Allowance for impairment                          | <b>(1,455,326)</b> | <b>(788,075)</b>   |
|   | <b>3,456,484</b>   | <b>1,652,020</b>   |
| <b>National and provincial government</b>               |                    |                    |
| Current (0 - 30 days)                                   | (54,837)           | (4,938)            |
| 31 - 60 days  | 4,908,097          | 147,128            |
| 61 - 90 days  | (17,246)           | 139,626            |
| 91 - 120 days   | 8,109              | 133,303            |
| 121 - 365 days  | 648,297            | 1,609,725          |
|   | <b>5,492,420</b>   | <b>2,024,844</b>   |
| <b>Total</b>  |                    |                    |
| Current (0 - 30 days)                                   | 1,670,805          | 1,149,465          |
| 31 - 60 days  | 5,232,875          | 379,706            |
| 61 - 90 days  | 283,272            | 340,258            |
| 91 - 120 days   | 264,484            | 311,471            |
| 121 - 365 days  | 6,500,321          | 5,663,914          |
|   | <b>13,951,757</b>  | <b>7,844,814</b>   |
| Less: Allowance for impairment                          | <b>(3,384,478)</b> | <b>(2,286,278)</b> |
|   | <b>10,567,279</b>  | <b>5,558,536</b>   |

# uMfolozi Municipality

(Registration number KZN281)

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

| Figures in Rand | 30 June<br>2019 | 30 June<br>2018 |
|-----------------|-----------------|-----------------|
|-----------------|-----------------|-----------------|

### 6. Summary of consumer debtors (continued)

#### Consumer debtors summary reclassification

An amount under consumer debtors summary per category was previously disclosed as business levies, regional services levies falls under commercial and industrial, it has therefore been re-classified to commercial and industrial category.

### 7. Cash and cash equivalents

Cash and cash equivalents consist of:

|                                 |                  |                |
|---------------------------------|------------------|----------------|
| Cash on hand                    | 25,512           | 114,495        |
| Bank balances                   | 5,161,110        | 219,327        |
| Other cash and cash equivalents | 34,574           | 94,644         |
|                                 | <b>5,221,196</b> | <b>428,466</b> |

The municipality had the following bank accounts

| Account number / description                              | Bank statement balances |                |                  | Cash book balances |                |                  |
|---|-------------------------|----------------|------------------|--------------------|----------------|------------------|
|   | 30 June 2019            | 30 June 2018   | 30 June 2017     | 30 June 2019       | 30 June 2018   | 30 June 2017     |
| ABSA BANK - Account Type -<br>Cheque - 40 5385 7155       | 5,161,109               | 219,327        | 1,567,153        | 5,161,109          | 219,327        | 1,574,832        |
| ABSA Bank - Account Type -<br>Traffic - 40 7854 4599      | 1,010                   | 1,500          | 17,172           | 1,010              | 1,500          | 17,172           |
| ABSA BANK - Account Type -<br>INEG - 92 8652 5057         | 2,024                   | 2,039          | 2,039            | 2,024              | 2,039          | 2,039            |
| ABSA BANK - Account Type -<br>MIG - 92 8651 3913          | 2,164                   | 1,507          | 1,603            | 2,164              | 1,507          | 1,603            |
| ABSA BANK - Account Type -<br>EPWP - 92 8651 3769         | 993                     | 1,107          | 1,144            | 993                | 1,107          | 1,144            |
| ABSA BANK - Account Type -<br>FMG - 92 8652 5340          | 1,096                   | 1,203          | 1,211            | 1,096              | 1,203          | 1,211            |
| ABSA BANK - Account Type -<br>MSIG - 92 8651 3028         | 1,338                   | 1,425          | 1,452            | 1,338              | 1,425          | 1,452            |
| ABSA BANK - Account Type -<br>Call Account - 91 0739 9765 | 2,050                   | 2,062          | 2,817            | 2,050              | 2,062          | 2,817            |
| ABSA BANK - Account Type -<br>Traffic 40 6506 2322        | 1,089                   | 2,495          | 11,449           | 1,089              | 2,495          | 11,449           |
| ABSA BANK - Account Type -<br>93 3848 2339                | 22,809                  | 81,582         | -                | 22,809             | 81,582         | -                |
| <b>Total</b>  | <b>5,195,682</b>        | <b>314,247</b> | <b>1,606,040</b> | <b>5,195,682</b>   | <b>314,247</b> | <b>1,613,719</b> |



# uMfolozi Municipality

(Registration number KZN281)

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

Figures in Rand

30 June  
2019

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2018  
Restated\*

### 8. Property, plant and equipment

|  | 2019                |  |                    | 2018                |  |                    |
|--|---------------------|--|--------------------|---------------------|--|--------------------|
|  | Cost /<br>Valuation | Accumulated depreciation<br>and<br>accumulated<br>impairment | Carrying value     | Cost /<br>Valuation | Accumulated depreciation<br>and<br>accumulated<br>impairment | Carrying value     |
| Land                                     | 10,404,853          | -  | 10,404,853         | 10,404,853          | -  | 10,404,853         |
| Machinery and Equipment                  | 1,342,659           | (637,542)  | 705,117            | 2,427,599           | (1,440,930)  | 986,669            |
| Furniture and Office Equipment           | 3,941,707           | (1,680,017)  | 2,261,690          | 3,176,562           | (1,919,173)  | 1,257,389          |
| Computer equipment                       | 3,005,089           | (537,971)  | 2,467,118          | 2,332,273           | (1,173,727)  | 1,158,546          |
| Leased Transport Assets                  | 7,019,883           | (2,950,460)  | 4,069,423          | 9,672,492           | (4,270,479)  | 5,402,013          |
| Road Infrastructure                      | 94,086,173          | (18,178,095)   | 75,908,078         | 88,913,074          | (15,124,923)   | 73,788,151         |
| Community Assets                         | 117,983,857         | (26,835,232)   | 91,148,625         | 111,734,903         | (23,639,245)   | 88,095,658         |
| Storm Water Infrastructure               | 286,174             | (199,710)  | 86,464             | 286,174             | (195,705)  | 90,469             |
| Water Supply Infrastructure              | 28,646              | (5,198)  | 23,448             | 28,646              | (3,395)  | 25,251             |
| Other Assets                             | 63,274,415          | (8,601,545)  | 54,672,870         | 20,219,945          | (8,043,095)  | 12,176,850         |
| Leased Furniture and Office<br>Equipment | -                   | -  | -                  | 1,174,323           | (1,166,716)  | 7,607              |
| Work in Progress                         | 55,222,935          | -  | 55,222,935         | 50,957,423          | -  | 50,957,423         |
| Transport Assets                         | 7,115,347           | (3,524,040)  | 3,591,307          | 6,821,909           | (4,423,636)  | 2,398,273          |
| ICT Infrastructure                       | 1,972,697           | (66,857)   | 1,905,840          | -                   | -  | -                  |
| <b>Total</b>                             | <b>365,684,435</b>  | <b>(63,216,667)</b>  | <b>302,467,768</b> | <b>308,150,176</b>  | <b>(61,401,024)</b>  | <b>246,749,152</b> |

\* See Note

# uMfolozi Municipality

(Registration number KZN281)  
Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

Figures in Rand

### 8. Property, plant and equipment (continued)

#### Reconciliation of property, plant and equipment - 2019

|                                       | Opening<br>balance | Additions         | Disposals          | Donations<br>Received | Transfers    | Depreciation       | Total              |
|---------------------------------------|--------------------|-------------------|--------------------|-----------------------|--------------|--------------------|--------------------|
| Land                                  | 10,404,853         | -                 | -                  | -                     | -            | -                  | 10,404,853         |
| Machinery and equipment               | 986,669            | 91,989            | (247,057)          | -                     | -            | (126,484)          | 705,117            |
| Furniture and office equipment        | 1,257,389          | 1,345,101         | (125,171)          | -                     | -            | (215,629)          | 2,261,690          |
| Computer equipment                    | 1,158,546          | 2,039,219         | (434,623)          | -                     | -            | (259,703)          | 2,467,118          |
| Leased transport assets               | 5,402,013          | -                 | (702,340)          | -                     | -            | (630,250)          | 4,069,423          |
| Road Infrastructure                   | 73,788,151         | 434,612           | -                  | -                     | 4,738,486    | (3,053,171)        | 75,908,078         |
| Community assets                      | 88,095,658         | 532,145           | -                  | -                     | 5,716,806    | (3,195,984)        | 91,148,625         |
| Storm water Infrastructure            | 90,469             | -                 | -                  | -                     | -            | (4,005)            | 86,464             |
| Water supply infrastructure           | 25,251             | -                 | -                  | -                     | -            | (1,803)            | 23,448             |
| Other assets                          | 12,176,850         | -                 | -                  | -                     | 43,054,470   | (558,450)          | 54,672,870         |
| Leased furniture and office equipment | 7,607              | -                 | (6,022)            | -                     | -            | (1,585)            | -                  |
| Work in progress                      | 50,957,423         | 57,873,085        | -                  | -                     | (53,607,573) | -                  | 55,222,935         |
| Transport assets                      | 2,398,273          | -                 | -                  | 2,083,097             | -            | (890,063)          | 3,591,307          |
| ICT Infrastructure                    | -                  | 1,874,886         | -                  | -                     | 97,811       | (66,857)           | 1,905,840          |
|                                       | <b>246,749,152</b> | <b>64,191,037</b> | <b>(1,515,213)</b> | <b>2,083,097</b>      | <b>-</b>     | <b>(9,003,984)</b> | <b>302,467,768</b> |

# uMfolozi Municipality

(Registration number KZN281)  
Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

Figures in Rand

### 8. Property, plant and equipment (continued)

#### Reconciliation of property, plant and equipment - 2018

|                                       | Opening<br>balance | Additions         | Disposals        | Donations<br>Received | Transfers    | Depreciation       | Impairment<br>loss | Total              |
|---------------------------------------|--------------------|-------------------|------------------|-----------------------|--------------|--------------------|--------------------|--------------------|
| Land                                  | 10,404,853         | -                 | -                | -                     | -            | -                  | -                  | 10,404,853         |
| Machinery and Equipment               | 360,377            | 15,083            | -                | 736,295               | -            | (125,086)          | -                  | 986,669            |
| Furniture and office equipment        | 936,544            | 118,930           | -                | 327,581               | -            | (125,666)          | -                  | 1,257,389          |
| Computer equipment                    | 912,125            | 337,994           | -                | 64,272                | -            | (155,845)          | -                  | 1,158,546          |
| Leased transport assets               | 6,531,842          | -                 | (431,773)        | -                     | -            | (698,056)          | -                  | 5,402,013          |
| Road infrastructure                   | 61,544,129         | -                 | -                | -                     | 14,708,988   | (2,652,137)        | -                  | 73,788,151         |
| Community assets                      | 82,168,168         | -                 | -                | -                     | 8,664,298    | (2,839,374)        | -                  | 88,095,658         |
| Storm water infrastructure            | 94,473             | -                 | -                | -                     | -            | (4,004)            | -                  | 90,469             |
| Water supply infrastructure           | 27,055             | -                 | -                | -                     | -            | (1,804)            | -                  | 25,251             |
| Other Assets                          | 12,615,110         | -                 | -                | -                     | -            | (440,775)          | -                  | 12,176,850         |
| Leased furniture and office equipment | 9,509              | -                 | -                | -                     | -            | (1,902)            | -                  | 7,607              |
| Work in progress                      | 54,346,211         | 27,812,129        | -                | -                     | (23,373,286) | -                  | (7,663,718)        | 50,957,423         |
| Transport Assets                      | 1,013,879          | 2,152,942         | -                | -                     | -            | (768,548)          | -                  | 2,398,273          |
|                                       | <b>230,964,275</b> | <b>30,437,078</b> | <b>(431,773)</b> | <b>1,128,148</b>      | <b>-</b>     | <b>(7,813,197)</b> | <b>(7,663,718)</b> | <b>246,749,152</b> |

#### Pledged as security

None of the Municipal assets are pledged as security

# uMfolozi Municipality

(Registration number KZN281)

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

| Figures in Rand | 30 June<br>2019 | 30 June<br>2018<br>Restated* |
|-----------------|-----------------|------------------------------|
|-----------------|-----------------|------------------------------|

### 8. Property, plant and equipment (continued)

#### Property, plant and equipment that is being constructed/developed

Included in the current amount, property, plant and equipment that have been identified as halted during the current and prior reporting periods, due to the following:

|                          |                  |                  |
|--------------------------|------------------|------------------|
| Ezidonini Community Hall | 4,622,695        | 4,622,695        |
| Cinci MPCC               | 439,131          | 439,131          |
|                          | <b>5,061,826</b> | <b>5,061,826</b> |

The delays were due to community protests.

Impairment losses have been recognised for property, plant and equipment that has been halted as follows:

|                               |          |                  |
|-------------------------------|----------|------------------|
| Bhekinhlanhla Creche          | -        | 104,597          |
| Luhlanga Creche               | -        | 129,308          |
| Mabhodla Market Stalls        | -        | 79,864           |
| Mathunzi Creche               | -        | 1,103,856        |
| Mdungandlovu Creche           | -        | 806,323          |
| Mphathiswana Small Playground | -        | 107,831          |
| Mvazane Sport Centre          | -        | 4,274,829        |
| Mzingazi Small Playground     | -        | 199,328          |
| Oshwashweni Stalls            | -        | 9,897            |
| Thandanani Creche             | -        | 847,886          |
|                               | <b>-</b> | <b>7,663,719</b> |

#### Reconciliation of Work-in-Progress 2019

|                                | Included<br>within<br>Infrastructure | Included<br>within<br>Community | Total             |
|--------------------------------|--------------------------------------|---------------------------------|-------------------|
| Opening balance                | 413,162                              | 50,544,262                      | 50,957,424        |
| Additions/capital expenditure  | 15,976,112                           | 41,896,974                      | 57,873,086        |
| Transferred to completed items | (4,836,297)                          | (48,771,276)                    | (53,607,573)      |
|                                | <b>11,552,977</b>                    | <b>43,669,960</b>               | <b>55,222,937</b> |

#### Reconciliation of Work-In-Progress 2018

|                                | Included<br>within Road<br>Infrastructure | Included<br>within<br>Community<br>Assets | Total             |
|--------------------------------|---|---|-------------------|
| Opening balance                | 7,029,109                                 | 47,153,189                                | 54,182,298        |
| Additions/capital expenditure  | 8,093,041                                 | 19,719,088                                | 27,812,129        |
| Impairment                     | -   | (7,663,717)                               | (7,663,717)       |
| Transferred to completed items | (14,708,988)                              | (8,664,298)                               | (23,373,286)      |
|                                | <b>413,162</b>                            | <b>50,544,262</b>                         | <b>50,957,424</b> |

\* See Note

# uMfolozi Municipality

(Registration number KZN281)

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

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Restated\*

### 8. Property, plant and equipment (continued)

#### Expenditure incurred to repair and maintain property, plant and equipment

#### Expenditure incurred to repair and maintain property, plant and equipment included in Statement of Financial Performance

|                              |                  |                  |
|------------------------------|------------------|------------------|
| Computer Equipment           | -                | 22,354           |
| Furniture & Office Equipment | 66,034           | 28,385           |
| Leased Transport Assets      | 396,335          | 421,775          |
| Road Infrastructure          | -                | 937,082          |
| Community Assets             | 1,496,975        | 3,647,947        |
| Other Assets                 | 208,239          | 194,868          |
| Transport Assets             | 729,736          | 578,971          |
| Machinery and Equipment      | 215,945          | -                |
|                              | <b>3,113,264</b> | <b>5,831,382</b> |

#### Fully depreciated assets

The Municipality has 404 assets included in the Fixed Asset Register which have a net book value of zero. These assets are still in use by the Municipality.

The Municipality has determined that an appropriate estimate of the assets' useful lives, residual values and depreciation methods was made based on the information available in the previous reporting period. The Municipality will therefore continue to measure these assets at a net book value of zero.

The class of assets which are affected as well as the total cost is detailed below:

|                                |                  |                  |
|--------------------------------|------------------|------------------|
| Community assets               | 141,941          | -                |
| Computer equipment             | 127,614          | 177,400          |
| Intangible assets              | 275,434          | 275,434          |
| Furniture and office equipment | 848,860          | 810,621          |
| Machinery and equipment        | 256,736          | 88,350           |
| Transport assets               | 1,557,658        | -                |
|                                | <b>3,208,243</b> | <b>1,351,805</b> |

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

### 9. Intangible assets

|                          | 2019                |  |                | 2018                |  |                |
|--------------------------|---------------------|--|----------------|---------------------|--|----------------|
|                          | Cost /<br>Valuation | Accumulated amortisation<br>and<br>accumulated<br>impairment | Carrying value | Cost /<br>Valuation | Accumulated amortisation<br>and<br>accumulated<br>impairment | Carrying value |
| Computer software, other | 3,416,802           | (944,867)  | 2,471,935      | 1,371,925           | (610,145)  | 761,780        |

\* See Note

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(Registration number KZN281)

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### Notes to the Annual Financial Statements

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|-----------------|-----------------|------------------------------|
|-----------------|-----------------|------------------------------|

#### 9. Intangible assets (continued)

##### Reconciliation of intangible assets - 2019

|                          | Opening<br>balance | Additions | Amortisation | Total     |
|--------------------------|--------------------|-----------|--------------|-----------|
| Computer software, other | 761,780            | 2,044,877 | (334,722)    | 2,471,935 |

##### Reconciliation of intangible assets - 2018

|                          | Opening<br>balance | Additions | Amortisation | Total   |
|--------------------------|--------------------|-----------|--------------|---------|
| Computer software, other | 950,294            | 112,454   | (300,968)    | 761,780 |

##### Pledged as security

None of the Municipal assets pledged as security:

#### 10. Other financial liabilities

##### At amortised cost

|                           |           |           |
|---------------------------|-----------|-----------|
| - non-current liabilities | 5,341,865 | 5,865,978 |
| - current liabilities     | 1,223,000 | 1,223,707 |

The following loan bears interest at 10.93% per annum, with bi-annual instalments of R611 853.57 in July and January. The loan is repayable by 1 July 2026 and the capital portion amounts to R336 212.37

|                  |                  |
|------------------|------------------|
| <b>6,564,865</b> | <b>7,089,685</b> |
|------------------|------------------|

##### Non-current liabilities

|                              |           |           |
|------------------------------|-----------|-----------|
| Designated at amortized cost | 5,341,865 | 5,865,978 |
|------------------------------|-----------|-----------|

##### Current liabilities

|                              |           |           |
|------------------------------|-----------|-----------|
| Designated at amortized cost | 1,223,000 | 1,223,707 |
|------------------------------|-----------|-----------|

\* See Note

## uMfolozi Municipality

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### Notes to the Annual Financial Statements

| Figures in Rand                                    | 30 June<br>2019         | 30 June<br>2018<br>Restated* |
|--|-------------------------|------------------------------|
| <b>11. Finance lease obligation</b>                |                         |                              |
| <b>Minimum lease payments due</b>                  |                         |                              |
| - within one year                                  | 1,566,251               | 2,112,569                    |
| - in second to fifth year inclusive                | 1,686,555               | 3,562,153                    |
|  | <u>3,252,806</u>        | <u>5,674,722</u>             |
| less: future finance charges                       | (358,218)               | (788,637)                    |
| <b>Present value of minimum lease payments</b>     | <u><b>2,894,588</b></u> | <u><b>4,886,085</b></u>      |
| <b>Present value of minimum lease payments due</b> |                         |                              |
| - within one year                                  | 1,329,600               | 1,692,401                    |
| - in second to fifth year inclusive                | 1,564,988               | 3,193,684                    |
|  | <u><b>2,894,588</b></u> | <u><b>4,886,085</b></u>      |
| <b>Non-current liabilities</b>                     | 1,564,988               | 3,193,684                    |
| <b>Current liabilities</b>                         | 1,329,600               | 1,692,401                    |
|  | <u><b>2,894,588</b></u> | <u><b>4,886,085</b></u>      |

It is municipality policy to lease certain motor vehicles and equipment under finance leases.

The average lease term was 5 years and the average effective borrowing rate was 10% (2018: 10%).

Interest rates are fixed at the contract date. All leases have fixed repayments and no arrangements have been entered into for contingent rent.

The municipality's obligations under finance leases are secured by the lessor's charge over the leased assets. Refer note .

### 12. Payables from exchange transactions

|                      |                          |                          |
|----------------------|--------------------------|--------------------------|
| Trade payables       | 12,873,676               | 22,430,735               |
| Unallocated Deposits | 48,873                   | -                        |
| Accrued leave pay    | 2,883,758                | 2,002,236                |
| Accruals             | 3,029,559                | -                        |
| Other creditors      | 6,507,597                | 4,305,985                |
| Retention            | 6,524,612                | 3,430,648                |
|                      | <u><b>31,868,075</b></u> | <u><b>32,169,604</b></u> |

Other Creditors includes third parties amounting to R2,120,108.98.

\* See Note

## uMfolozi Municipality

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### Notes to the Annual Financial Statements

| Figures in Rand | 30 June<br>2019 | 30 June<br>2018<br>Restated* |
|-----------------|-----------------|------------------------------|
|-----------------|-----------------|------------------------------|

#### 13. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

##### Unspent conditional grants and receipts

|  |                  |                  |
|--|------------------|------------------|
| Municipal Infrastructure Grant                 | -                | 59,110           |
| Spatial Development Framework Grant            | 260,964          | 260,964          |
| Library Grant                                  | 581,877          | 1,492,916        |
| Beach Access Grant                             | 243,647          | 243,647          |
| Development Planning and Shared Services Grant | 172,498          | 172,498          |
| Small Town Rehabilitation Grant                | 336,034          | 434,840          |
| Sports and Recreation Grant                    | 17,410           | 2,502,304        |
| Thusong Centre Grant                           | 673,045          | -                |
| Schemes Support Programme Grant                | 327,000          | 57,000           |
| Maintenance of Sport Facilities Grant          | 487,099          | -                |
|  | <b>3,099,574</b> | <b>5,223,279</b> |

The nature and extent of government grants recognised in the annual financial statements and an indication of other forms of government assistance from which the municipality has directly benefited; and

Unfulfilled conditions and other contingencies attaching to government assistance that has been recognised.

See note 19 for reconciliation of grants from National/Provincial Government.

These amounts are invested in a ring-fenced investment until utilised.

#### 14. Service charges

|                |         |         |
|----------------|---------|---------|
| Refuse removal | 507,677 | 476,258 |
|----------------|---------|---------|

#### 15. Rental of facilities and equipment

|          |         |         |
|----------|---------|---------|
| Premises | 122,991 | 163,424 |
|----------|---------|---------|

#### 16. Operational Revenue

|                          |                |                |
|--------------------------|----------------|----------------|
| Sale of tender documents | 60,836         | 29,391         |
| SDL refund               | 72,510         | 88,274         |
| Staff recoveries         | -              | 1,265          |
| Insurance proceed        | -              | 64,457         |
|                          | <b>133,346</b> | <b>183,387</b> |

An amount of R195,500 was classified as Donations in previous year under operational revenue, but it has been reclassified as donations received in note 21.

#### 17. Interest Received

|                             |                  |                  |
|-----------------------------|------------------|------------------|
| Trade and other receivables | 567,327          | 706,738          |
| Investment                  | 1,155,109        | 416,486          |
|                             | <b>1,722,436</b> | <b>1,123,224</b> |

\* See Note



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### **Notes to the Annual Financial Statements**

| Figures in Rand           | 30 June<br>2019   | 30 June<br>2018<br>Restated* |
|---------------------------|-------------------|------------------------------|
| <b>18. Property rates</b> |                   |                              |
| <b>Rates billed</b>       |                   |                              |
| Property rates            | 32,981,677        | 20,762,192                   |
| Less: Income forgone      | (6,403,727)       | (7,278,628)                  |
|                           | <b>26,577,950</b> | <b>13,483,564</b>            |

\* See Note

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## Notes to the Annual Financial Statements

| Figures in Rand                            | 30 June<br>2019    | 30 June<br>2018<br>Restated* |
|--|--------------------|------------------------------|
| <b>19. Government grants and subsidies</b> |                    |                              |
| <b>Operating grants</b>                    |                    |                              |
| Equitable share                            | 115,041,000        | 107,114,000                  |
| Housing Grant                              | 529,597            | -                            |
| Sports and Recreation Grant                | 6,984,894          | 2,772,253                    |
| Small Town Rehabilitation Grant            | 98,805             | 3,198,389                    |
| Library Grant                              | 3,537,040          | 1,366,513                    |
| Financial Management Grant                 | 1,900,000          | 1,900,000                    |
| Expanded Public Works Program Grant        | 1,620,000          | 1,418,000                    |
| Integrated National Electrification Grant  | 11,000,000         | 13,000,000                   |
| Thusong Centre Grant                       | 76,955             | -                            |
| Municipal System Improvement Grant         | 1,055,000          | -                            |
| Schemes Support Programme Grant            | 230,000            | -                            |
| Maintenance of Sport Facilities Grant      | 12,901             | -                            |
|  | <b>142,086,192</b> | <b>130,769,155</b>           |
| <b>Capital grants</b>                      |                    |                              |
| Municipal Infrastructure Grants            | 25,761,110         | 26,563,890                   |
|  | <b>167,847,302</b> | <b>157,333,045</b>           |

### Equitable Share

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.

All registered indigents receive a subsidy of R 907,831 per year which is funded from the grant.

### Municipal Infrastructure Grant

|   |              |               |
|---|--------------|---------------|
| Balance unspent at beginning of year    | 59,110       | -             |
| Current-year receipts                   | 25,761,000   | 26,623,000    |
| Conditions met - transferred to revenue | (25,761,110) | (26,563,890)  |
| Other - Repayment                       | (59,000)     | -             |
|   | <b>-</b>     | <b>59,110</b> |

The grant was used to accelerate basic infrastructure backlogs for the benefit of poor households. The amount transferred to operating relates to projects budgeted for as capital and for financial reporting purposes the assets recognition criteria is met. The revenue recognition met the conditions of the grant.

### Spatial Development Framework

|                                      |         |         |
|--------------------------------------|---------|---------|
| Balance unspent at beginning of year | 260,964 | 260,964 |
|--------------------------------------|---------|---------|

Conditions still to be met - remain liabilities (see note 13).

### Housing Grant

|   |           |             |
|---|-----------|-------------|
| Balance unspent at beginning of year    | -         | 1,431,956   |
| Current-year receipts                   | 529,597   | -           |
| Conditions met - transferred to revenue | (529,597) | (1,431,956) |
|   | <b>-</b>  | <b>-</b>    |

\* See Note

## uMfolozi Municipality

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### Notes to the Annual Financial Statements

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#### 19. Government grants and subsidies (continued)

This grant is unconditional and was used for human settlement operational expenses within the municipality,

##### Library Grant

|   |                |                  |
|---|----------------|------------------|
| Balance unspent at beginning of year    | 1,492,423      | 851,936          |
| Current-year receipts                   | 2,626,000      | 2,007,000        |
| Conditions met - transferred to revenue | (3,537,039)    | (1,366,513)      |
|   | <b>581,877</b> | <b>1,492,423</b> |

Conditions still to be met - remain liabilities (see note 13).

##### Beach Access Upgrade Grant

|                                      |         |         |
|--------------------------------------|---------|---------|
| Balance unspent at beginning of year | 243,647 | 243,647 |
|--------------------------------------|---------|---------|

Conditions still to be met - remain liabilities (see note 13).

##### Development Planning and Shared Services Grant

|                                      |         |         |
|--------------------------------------|---------|---------|
| Balance unspent at beginning of year | 172,498 | 172,498 |
|--------------------------------------|---------|---------|

Conditions still to be met - remain liabilities (see note 13).

##### Small Town Rehabilitation Grant

|   |                |                |
|---|----------------|----------------|
| Balance unspent at beginning of year    | 434,840        | 1,633,228      |
| Current-year receipts                   | -              | 2,000,000      |
| Conditions met - transferred to revenue | (98,806)       | (3,198,388)    |
|   | <b>336,034</b> | <b>434,840</b> |

Conditions still to be met - remain liabilities (see note 13).

##### Sports and Recreation Grant

|   |               |                  |
|---|---------------|------------------|
| Balance unspent at beginning of year    | 2,502,304     | 1,274,557        |
| Current-year receipts                   | 4,500,000     | 4,000,000        |
| Conditions met - transferred to revenue | (6,984,894)   | (2,772,253)      |
|   | <b>17,410</b> | <b>2,502,304</b> |

Conditions still to be met - remain liabilities (see note 13).

##### Financial Management grant

|   |             |             |
|---|-------------|-------------|
| Current-year receipts                   | 1,900,000   | 1,900,000   |
| Conditions met - transferred to revenue | (1,900,000) | (1,900,000) |
|   | -           | -           |

\* See Note

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## Notes to the Annual Financial Statements

| Figures in Rand  | 30 June<br>2019 | 30 June<br>2018<br>Restated* |
|--|-----------------|------------------------------|
| <b>19. Government grants and subsidies (continued)</b>         |                 |                              |
| <b>Expanded public works program grant</b>                     |                 |                              |
| Current-year receipts  | 1,620,000       | 1,418,000                    |
| Conditions met - transferred to revenue                        | (1,620,000)     | (1,418,000)                  |
|  | -               | -                            |
| <b>Integrated national electrification grant</b>               |                 |                              |
| Current-year receipts  | 11,000,000      | 13,000,000                   |
| Conditions met - transferred to revenue                        | (11,000,000)    | (13,000,000)                 |
|  | -               | -                            |
| Conditions still to be met - remain liabilities (see note 13). |                 |                              |
| <b>Thusong Centre Grant</b>                                    |                 |                              |
| Current-year receipts  | 750,000         | -                            |
| Conditions met - transferred to revenue                        | (76,955)        | -                            |
|  | 673,045         | -                            |
| Conditions still to be met - remain liabilities (see note 13). |                 |                              |
| <b>Schemes support program Grant</b>                           |                 |                              |
| Balance unspent at beginning of year                           | 57,000          | 57,000                       |
| Current-year receipts  | 500,000         | -                            |
| Conditions met - transferred to revenue                        | (230,000)       | -                            |
|  | 327,000         | 57,000                       |
| Conditions still to be met - remain liabilities (see note 13). |                 |                              |
| <b>Maintenance of Sport Facilities Grant</b>                   |                 |                              |
| Current-year receipts  | 500,000         | -                            |
| Conditions met - transferred to revenue                        | (12,901)        | -                            |
|  | 487,099         | -                            |
| Conditions still to be met - remain liabilities (see note 13). |                 |                              |
| <b>Municipal System Improvement Grant</b>                      |                 |                              |
| Current-year receipts  | 1,055,000       | -                            |
| Conditions met - transferred to revenue                        | (1,055,000)     | -                            |
|  | -               | -                            |
| Conditions still to be met - remain liabilities (see note 13). |                 |                              |

\* See Note

## uMfolozi Municipality

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### Notes to the Annual Financial Statements

| Figures in Rand   | 30 June<br>2019   | 30 June<br>2018<br>Restated* |
|---|-------------------|------------------------------|
| <b>20. Donations received</b>                             |                   |                              |
| Library - Department of Art and Culture                   | -                 | 1,128,147                    |
| Thusong Centre and Testing Ground - Richards Bay Minerals | 30,813,515        | -                            |
| Isuzu Truck - Richards Bay Minerals                       | 2,083,097         | -                            |
| King Cetshwayo District                                   | 500,000           | 195,500                      |
|   | <b>33,396,612</b> | <b>1,323,647</b>             |

Richards Bay Minerals donated for the construction of Thusong Centre, Testing Centre and Isuzu Truck.

\* See Note

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## Notes to the Annual Financial Statements

| Figures in Rand  | 30 June<br>2019   | 30 June<br>2018<br>Restated* |
|--|-------------------|------------------------------|
| <b>21. Employee related costs</b>                        |                   |                              |
| Basic  | 36,099,685        | 30,775,180                   |
| Bonus  | 2,075,517         | 1,790,022                    |
| Medical aid - company contributions                      | 2,629,107         | 2,460,262                    |
| UIF  | 268,501           | 243,792                      |
| SDL  | 567,397           | 490,091                      |
| Pension  | 4,070,124         | 3,619,841                    |
| Leave pay provision charge                               | 881,522           | 90,211                       |
| Staff recoveries refund                                  | -                 | 4,259                        |
| Overtime payments  | 3,016,364         | 1,905,707                    |
| Car allowance  | 4,973,897         | 4,588,710                    |
| Housing benefits and allowances                          | 171,479           | 161,911                      |
| Cellphone Allowances                                     | 422,377           | 310,238                      |
| Group Life Insurance                                     | 1,027,042         | 1,184,710                    |
| Bargaining Council                                       | 15,759            | 13,901                       |
|  | <b>56,218,771</b> | <b>47,638,835</b>            |
| <b>Remuneration of Municipal Manager</b>                 |                   |                              |
| Annual Remuneration                                      | 690,121           | 997,813                      |
| Car Allowance  | 279,438           | 411,986                      |
| Contributions to UIF, Medical Aid and Bargaining Council | 5,833             | 55,882                       |
|  | <b>975,392</b>    | <b>1,465,681</b>             |
| <b>Remuneration of Chief Finance Officer</b>             |                   |                              |
| Annual Remuneration                                      | 598,927           | 318,845                      |
| Car Allowance  | 180,000           | 125,000                      |
| Contributions to UIF, Medical Aid and Bargaining Council | 4,423             | 9,779                        |
|  | <b>783,350</b>    | <b>453,624</b>               |
| <b>Remuneration of Corporate Services Director</b>       |                   |                              |
| Annual Remuneration                                      | 787,125           | 746,174                      |
| Car Allowance  | 109,083           | 108,000                      |
| Contributions to UIF, Medical Aid and Bargaining Council | 4,928             | 37,635                       |
|  | <b>901,136</b>    | <b>891,809</b>               |
| <b>Remuneration of Technical Services Director</b>       |                   |                              |
| Annual Remuneration                                      | 585,690           | 686,227                      |
| Car Allowance  | 191,194           | 220,244                      |
| Contributions to UIF, Medical Aid and Bargaining Council | 4,941             | 37,794                       |
|  | <b>781,825</b>    | <b>944,265</b>               |
| <b>Remuneration of Community Services Director</b>       |                   |                              |
| Annual Remuneration                                      | 348,795           | 672,212                      |
| Car Allowance  | 123,265           | 306,981                      |
| Contributions to UIF, Medical Aid and Bargaining Council | 5,064             | 45,961                       |

\* See Note

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## Notes to the Annual Financial Statements

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### 21. Employee related costs (continued)

477,124 1,025,154

### 22. Remuneration of councillors

|                             |                   |                   |
|-----------------------------|-------------------|-------------------|
| Mayor                       | 345,666           | 333,012           |
| Deputy Mayor                | 276,533           | 266,409           |
| Executive Committee Members | 856,892           | 749,291           |
| Speaker                     | 368,710           | 355,212           |
| Councillors Allowances      | 6,195,406         | 6,035,602         |
| Cellphone Allowances        | 1,346,400         | 1,346,400         |
| Travel Allowances           | 1,333,242         | 1,286,013         |
| Data Allowances             | 118,800           | 118,800           |
|                             | <b>10,841,649</b> | <b>10,490,739</b> |

#### In-kind benefits

The Mayor, Deputy Mayor, Speaker and Mayoral Committee Members are part-time. The Mayor and Speaker are provided with an office and secretarial support at the cost of the Council.

The Mayor, the Deputy Mayor and Speaker each have the use of separate Council owned vehicles for official duties.

#### Mayor

|                     |                |                |
|---------------------|----------------|----------------|
| Annual Remuneration | 345,666        | 333,012        |
| Telephone Allowance | 40,800         | 40,800         |
| Travel Allowance    | 115,222        | 111,004        |
| Data Allowance      | 3,600          | 3,600          |
|                     | <b>505,288</b> | <b>488,416</b> |

#### Deputy Mayor

|                     |                |                |
|---------------------|----------------|----------------|
| Annual Remuneration | 276,533        | 266,409        |
| Telephone Allowance | 40,800         | 40,800         |
| Travel Allowance    | 92,178         | 88,803         |
| Data Allowance      | 3,600          | 3,600          |
|                     | <b>413,111</b> | <b>399,612</b> |

#### Executive Committee Members

|                     |                  |                  |
|---------------------|------------------|------------------|
| Annual Remuneration | 856,892          | 749,291          |
| Telephone Allowance | 122,400          | 122,400          |
| Travel Allowance    | 190,269          | 249,764          |
| Data Allowance      | 10,800           | 10,800           |
|                     | <b>1,180,361</b> | <b>1,132,255</b> |

#### Speaker

|                     |                |                |
|---------------------|----------------|----------------|
| Annual Remuneration | 368,710        | 355,212        |
| Telephone Allowance | 40,800         | 40,800         |
| Data Allowance      | 3,600          | 3,600          |
|                     | <b>413,110</b> | <b>399,612</b> |

\* See Note

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## Notes to the Annual Financial Statements

| Figures in Rand  | 30 June<br>2019  | 30 June<br>2018<br>Restated* |
|--|------------------|------------------------------|
| <b>22. Remuneration of councillors (continued)</b>         |                  |                              |
| <b>Councillors (Section 79)</b>                            |                  |                              |
| Annual Remuneration  | 251,644          | 242,432                      |
| Telephone Allowance  | 40,800           | 40,800                       |
| Travel Allowance   | 83,881           | 80,811                       |
| Data Allowance   | 3,600            | 3,600                        |
|  | <b>379,925</b>   | <b>367,643</b>               |
| <b>Councillors (Ordinary)</b>                              |                  |                              |
| Annual Remuneration  | 5,943,762        | 5,793,171                    |
| Telephone Allowance  | 1,060,800        | 1,060,800                    |
| Travel Allowance   | 851,692          | 755,631                      |
| Data Allowance   | 93,600           | 93,600                       |
|  | <b>7,949,854</b> | <b>7,703,202</b>             |
| <b>23. Depreciation and amortisation</b>                   |                  |                              |
| Property, plant and equipment                              | 9,003,984        | 7,813,197                    |
| Intangible assets  | 334,722          | 300,968                      |
|  | <b>9,338,706</b> | <b>8,114,165</b>             |
| <b>24. Impairment of assets</b>                            |                  |                              |
| <b>Impairments</b>   |                  |                              |
| Property, plant and equipment                              | -                | 7,663,718                    |
| No impairments occurred during the current financial year. |                  |                              |
| <b>25. Finance costs</b>                                   |                  |                              |
| Other interest paid  | 62,734           | 202,542                      |
| Finance leases   | 414,378          | 600,989                      |
| Non current borrowings                                     | 698,887          | 806,121                      |
|  | <b>1,175,999</b> | <b>1,609,652</b>             |
| <b>26. Debt impairment</b>                                 |                  |                              |
| Debt impairment  | 775,434          | 561,009                      |
| Contributions to debt impairment provision                 | 1,098,199        | 773,610                      |
| Impairment -Traffic Fines                                  | 1,534,474        | 5,121,778                    |
|  | <b>3,408,107</b> | <b>6,456,397</b>             |

Debt impairment amounting to R775,434 relates to the land that was donated by Mondi to the municipality on the condition to impair the outstanding balance on that property.

\* See Note



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|-----------------|------------------------------|
|-----------------|------------------------------|

#### 27. Contracted services

##### Outsourced Services

|                                 |           |           |
|---------------------------------|-----------|-----------|
| Catering Services               | 3,196,946 | 3,845,491 |
| Cleaning Services               | 1,137,658 | 774,408   |
| Fleet Services                  | 2,329     | 5,661     |
| Valuation                       | -         | 171,407   |
| Information Technology Services | 2,714,324 | 4,264,255 |
| Other contractors               | 891,346   | 833,293   |

##### Consultants and Professional Services

|                             |            |            |
|-----------------------------|------------|------------|
| Business and Advisory       | 13,130,611 | 10,213,305 |
| Infrastructure and Planning | -          | 376,919    |
| Legal Cost                  | 168,295    | 376,068    |

##### Contractors

|  |           |            |
|--|-----------|------------|
| Event Promoters                        | 929,229   | 773,178    |
| Integrated National Electrical Program | 8,181,178 | 11,333,945 |
| Maintenance of Unspecified Assets      | 3,609,293 | 5,831,382  |
| Medical Services                       | 168,351   | 165,208    |
| Safeguard and Security                 | 5,351,789 | 5,279,901  |
| Sewerage Services                      | 363,144   | 269,423    |
| Stage and Sound Crew                   | 632,895   | 184,294    |

|                   |                   |
|-------------------|-------------------|
| <b>40,477,388</b> | <b>44,698,138</b> |
|-------------------|-------------------|

#### 28. Transfers and Subsidies

|                         |         |           |
|-------------------------|---------|-----------|
| Transfers and Subsidies | 562,087 | 1,531,755 |
|-------------------------|---------|-----------|

\* See Note

## uMfolozi Municipality

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### Notes to the Annual Financial Statements

| Figures in Rand                      | 30 June<br>2019   | 30 June<br>2018<br>Restated* |
|--------------------------------------|-------------------|------------------------------|
| <b>29. Operational Costs</b>         |                   |                              |
| Advertising, marketing and publicity | 9,139,839         | 7,954,499                    |
| Auditors remuneration                | 2,180,205         | 2,209,675                    |
| Bank charges                         | 175,234           | 218,648                      |
| Bursaries                            | 473,656           | 187,800                      |
| Computer expenses                    | 1,026,530         | 23,525                       |
| Conferences and seminars             | 201,507           | 219,306                      |
| Consulting and professional fees     | 855,182           | 1,534,943                    |
| Consumables                          | 2,384,999         | 2,442,947                    |
| Electricity                          | 2,384,098         | 2,252,387                    |
| Entertainment                        | 93,908            | 158,224                      |
| Fuel and oil                         | 3,274,030         | 2,713,189                    |
| Management Fee                       | -                 | 176,131                      |
| Hire                                 | 2,726,284         | 959,308                      |
| Indigent                             | 1,007,886         | 381,517                      |
| Insurance                            | 386,562           | 395,368                      |
| Motor vehicle expenses               | -                 | 7,110                        |
| Gifts                                | 206,820           | -                            |
| Postage and courier                  | 1,279             | 11,847                       |
| Sitting Allowance                    | 2,000             | 10,000                       |
| Printing and stationery              | 461,091           | 356,382                      |
| Staff welfare                        | 276,148           | 345,750                      |
| Sundries                             | 369,775           | 229,868                      |
| Telephone and fax                    | 1,087,012         | 1,330,986                    |
| Travel - local                       | 4,803,541         | 4,394,863                    |
| Uniforms                             | 299,208           | 508,622                      |
| Ward committees remuneration         | 2,085,100         | 1,549,256                    |
|                                      | <b>35,901,894</b> | <b>30,572,151</b>            |

#### 30. Auditors' remuneration

|      |           |           |
|------|-----------|-----------|
| Fees | 2,180,205 | 2,209,675 |
|------|-----------|-----------|

#### 31. Expenditure reclassification

An amount of R51,978 was classified as gift in previous year, but it has been reclassified as advertising, marketing and publicity.

\* See Note

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## Notes to the Annual Financial Statements

| Figures in Rand                                  | 30 June<br>2019   | 30 June<br>2018<br>Restated* |
|--|-------------------|------------------------------|
| <b>32. Cash generated from operations</b>        |                   |                              |
| Surplus  | 73,278,165        | 20,882,440                   |
| <b>Adjustments for:</b>                          |                   |                              |
| Depreciation and amortisation                    | 9,338,705         | 8,114,165                    |
| Gain (loss) on sale of assets and liabilities    | 599,778           | (216,227)                    |
| Donations  | (2,083,097)       | -                            |
| Lease rentals                                    | 607,382           | -                            |
| Impairment deficit                               | -                 | 7,663,718                    |
| Debt impairment                                  | -                 | 6,456,397                    |
| Movements in provisions                          | -                 | 40,000                       |
| Other non-cash items                             | -                 | 206,382                      |
| <b>Changes in working capital:</b>               |                   |                              |
| Receivables from non exchange transactions       | (5,008,803)       | (220,126)                    |
| Consumer debtors                                 | -                 | (6,456,397)                  |
| Other receivables from non-exchange transactions | -                 | 61,938                       |
| Payables from exchange transactions              | (3,331,091)       | (2,317,498)                  |
| VAT  | 1,018,820         | (906,155)                    |
| Unspent conditional grants and receipts          | (2,123,705)       | (821,170)                    |
|  | <b>72,296,154</b> | <b>32,487,467</b>            |

\* See Note

## uMfolozi Municipality

(Registration number KZN281)

Annual Financial Statements for the year ended 30 June 2019

### Notes to the Annual Financial Statements

| Figures in Rand | 30 June<br>2019 | 30 June<br>2018<br>Restated* |
|-----------------|-----------------|------------------------------|
|-----------------|-----------------|------------------------------|

#### 33. Financial instruments disclosure

##### Categories of financial instruments

##### 2019

##### Financial assets

|  | At amortised<br>cost | Total             |
|--|----------------------|-------------------|
| Other receivables from non-exchange transactions | 10,567,279           | 10,567,279        |
| Cash and cash equivalents                        | 5,221,196            | 5,221,196         |
|  | <b>15,788,475</b>    | <b>15,788,475</b> |

##### Financial liabilities

|   | At amortised<br>cost | Total             |
|---|----------------------|-------------------|
| Other financial liabilities                         | 6,564,865            | 6,564,865         |
| Trade and other payables from exchange transactions | 31,868,075           | 31,868,075        |
| Finance Leases                                      | 2,894,588            | 2,894,588         |
|   | <b>41,327,528</b>    | <b>41,327,528</b> |

##### 2018

##### Financial assets

|  | At amortised<br>cost | Total            |
|--|----------------------|------------------|
| Trade and other receivables from exchange transactions | 5,558,476            | 5,558,476        |
| Cash and cash equivalents                              | 428,466              | 428,466          |
|  | <b>5,986,942</b>     | <b>5,986,942</b> |

\* See Note

# uMfolozi Municipality

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## Notes to the Annual Financial Statements

| Figures in Rand | 30 June<br>2019 | 30 June<br>2018<br>Restated* |
|-----------------|-----------------|------------------------------|
|-----------------|-----------------|------------------------------|

### 33. Financial instruments disclosure (continued)

#### Financial liabilities

|   | At amortised<br>cost | Total             |
|---|----------------------|-------------------|
| Other financial liabilities                         | 7,089,685            | 7,089,685         |
| Trade and other payables from exchange transactions | 32,169,604           | 32,169,604        |
| Finance Leases                                      | 4,886,085            | 4,886,085         |
|   | <b>44,145,374</b>    | <b>44,145,374</b> |

### 34. Commitments

#### Authorised capital expenditure

##### Already contracted for but not provided for

|                  |                   |                  |
|------------------|-------------------|------------------|
| * Community      | 1,786,568         | 1,319,031        |
| * Infrastructure | 11,779,913        | 1,822,259        |
|                  | <b>13,566,481</b> | <b>3,141,290</b> |

##### Total capital commitments

|   |            |           |
|---|------------|-----------|
| Already contracted for but not provided for | 13,566,481 | 3,141,290 |
|---|------------|-----------|

This committed expenditure relates to plant and equipment and will be financed by available bank facilities, retained surpluses, rights issue of shares, issue of debentures, mortgage facilities, existing cash resources, funds internally generated, etc.

### 35. Unauthorised expenditure

|                          |                    |                    |
|--------------------------|--------------------|--------------------|
| Unauthorised expenditure | 115,288,800        | 89,001,176         |
| Current year             | -                  | 26,287,624         |
|                          | <b>115,288,800</b> | <b>115,288,800</b> |

No Unauthorised expenditure for the current year.

### 36. Fruitless and wasteful expenditure

|                                    |                  |                  |
|------------------------------------|------------------|------------------|
| Fruitless and wasteful expenditure | 1,248,636        | 1,052,074        |
| Current year                       | 62,734           | 196,562          |
|                                    | <b>1,311,370</b> | <b>1,248,636</b> |

### 37. Irregular expenditure

|   |                    |                   |
|---|--------------------|-------------------|
| Opening balance                           | 88,896,813         | 73,505,116        |
| Add: Irregular Expenditure - current year | 31,301,374         | 15,391,697        |
|   | <b>120,198,187</b> | <b>88,896,813</b> |

The amount is as a result of contracts which were renewed but could not meet the requirements of Section 116. Such contracts had term or period attached to them and could not be cancelled because there is no clause on contracts which allows for termination based on poor performance or poor services delivered. Such amounts will be submitted to council for writing off Irregular expenditure.

\* See Note

## uMfolozi Municipality

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### Notes to the Annual Financial Statements

Figures in Rand

#### 37. Irregular expenditure (continued)

An amount of R70 000 000.00 has been investigated and the case has been reported and opened. The remaining balance still to be investigated and submitted to council.

#### 38. Events after the reporting date - Non adjusting event

On the 23rd August 2019 Cinci community members in ward 11 were protesting against the municipality which resulted in the burning of Cinci community hall and Bulimeni library with the carrying amount of R209,450.27 and R106,308.53 respectively.

#### 39. Prior period errors

An amount of R 97,810.81 was incorrectly expensed in previous year, but it meet recognition criteria of an asset, therefore assets were understated and expenses overstated.

Depreciation amounting to R1,793,774 was previously incorrectly calculated for community, road and other assets category, thus has resulted in accumulated depreciation being overstated and PPE (community, road and other assets) being understated.

The correction of the error(s) results in adjustments as follows:

| 2018                      | Audited            | Prior year adjustment | Restated           |
|---------------------------|--------------------|-----------------------|--------------------|
| PPE - Community asset     | 88,087,377         | 8,281                 | 88,095,658         |
| PPE - Road infrastructure | 72,141,367         | 1,646,784             | 73,788,151         |
| PPE - Other Assets        | 12,120,272         | 56,579                | 12,176,851         |
| Depreciation              | 7,731,097          | 82,100                | 7,813,197          |
| Computer Expense          | 121,336            | (97,881)              | 23,525             |
| WIP-ICT infrastructure    | 50,859,612         | 97,881                | 50,957,493         |
| Operational revenue       | 374,628            | (194,235)             | 180,393            |
| Donation recieved         | 1,128,147          | 195,500               | 1,323,647          |
| Employee cost             | 47,634,576         | 4,259                 | 47,638,835         |
| Fleet services            | 15,248             | (9,587)               | 5,661              |
| Other contractors         | 995,114            | (161,821)             | 833,293            |
|                           | <b>281,208,774</b> | <b>1,627,860</b>      | <b>282,836,704</b> |
|                           | <b>281,208,774</b> | <b>1,627,860</b>      | <b>282,836,704</b> |

#### 40. Risk management

##### Credit risk

Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored. Sales to retail customers are settled in cash or using major credit cards. Credit guarantee insurance is purchased when deemed appropriate.

Financial assets exposed to credit risk at year end were as follows:

| Financial instrument        | 2019       | 2018      |
|-----------------------------|------------|-----------|
| Receivables                 | 10,567,279 | 5,558,476 |
| Fixed interest loan to ABSA | 6,564,865  | 7,089,685 |

## uMfolozi Municipality

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### Notes to the Annual Financial Statements

| Figures in Rand | 30 June<br>2019 | 30 June<br>2018 |
|-----------------|-----------------|-----------------|
|-----------------|-----------------|-----------------|

#### 41. Additional disclosure in terms of Municipal Finance Management Act

##### VAT

|                |           |           |
|----------------|-----------|-----------|
| VAT receivable | 5,778,843 | 6,797,663 |
|----------------|-----------|-----------|

VAT output payables and VAT input receivables are shown in note 5.

All VAT returns have been submitted by the due date throughout the year.

##### Councillors' arrear consumer accounts

There were no Councillors who had arrear accounts outstanding for more than 90 days at 30 June 2019:

##### Supply chain management regulations

In terms of section 36 of the Municipal Supply Chain Management Regulations any deviation from the Supply Chain Management Policy needs to be approved/condoned by the Municipal Manager and noted by Council.

##### Current year deviations for section 36

|   |                |                  |
|---|----------------|------------------|
| Goods/ services were urgently required                                | 595,983        | 318,656          |
| Preferred supplier  | -              | 135,388          |
| Goods/ services required are produced/ available from single provider | -              | 531,227          |
| Only two quotations were received                                     | -              | 125,537          |
|   | <b>595,983</b> | <b>1,110,808</b> |

#### 42. Provisions

##### Reconciliation of provisions - 2019

|                   | Opening<br>Balance | Total  |
|-------------------|--------------------|--------|
| Legal proceedings | 40,000             | 40,000 |

##### Reconciliation of provisions - 2018

|                   | Opening<br>Balance | Additions | Total  |
|-------------------|--------------------|-----------|--------|
| Legal proceedings | -                  | 40,000    | 40,000 |

##### Legal proceedings provisions

Dondotha Housing Project

This is an Equality Court referral against the Municipality. The matter is litigated and ready for trial.

#### 43. Contingencies

|  |          |                |
|--|----------|----------------|
| Funinkomo Mpungose/ uMfolozi Local Municipality & 3 others | -        | 20,000         |
| Telkom   | -        | 309,884        |
| Lommel Construction/ Bencon Richards Bay CC                | -        | 150,000        |
|  | <b>-</b> | <b>479,884</b> |

No Contingencies occurred during the current financial year.

## **uMfolozi Municipality**

(Registration number KZN281)

Annual Financial Statements for the year ended 30 June 2019

### **Notes to the Annual Financial Statements**

|                 | 30 June<br>2019 | 30 June<br>2018 |
|-----------------|-----------------|-----------------|
| Figures in Rand |                 |                 |

#### **44. Related parties**

There were no related parties during the current financial year.



# **uMfolozi Municipality**

(Registration number KZN281)

Annual Financial Statements for the year ended 30 June 2019

## **Notes to the Annual Financial Statements**

| Figures in Rand | 30 June<br>2019 | 30 June<br>2018 |
|-----------------|-----------------|-----------------|
|-----------------|-----------------|-----------------|

### **45. Budget differences**

#### **Material differences between budget and actual amounts**

1. Service Charges - There were delays in extending refuse removal services to other areas within municipal jurisdiction.
2. Rental of facilities and equipment - The demand for renting out municipal hall decreased.
3. Interest Received (Debtors) - Increase in amount of debtors owed to municipality for more than 60 days due to increase in approved tariffs
4. Licences and permits - High demand in learners licence application.
5. Fines, Penalties and Forfeits - There was a higher number of roadblocks done during the year.
6. Other Revenue- There was a donation from the King Cetshwayo District Municipality.
7. Public contributions and donations - We received less because testing ground is not complete.
8. Employee Related Costs - New positions and notch backpay during the year.
9. Depreciation and amortisation - More Work in progress projects were completed and assets donated during the current year.
10. Lease rentals - New photocopying machines were leased during the current year.
11. Debt impairment - Less number of traffic fines issued than the anticipated.
12. Contracted services - Decrease in catering services and Intergrated National Electrical Program during the current year.
13. Operational costs - Increase in fuel and oil plus gifts during current year.

#### **Changes from the approved budget to the final budget**

Property rates-Original budget was based on collection and adjusted to billing.

Property rates penalties and collection charges were adjusted it was under budgeted originally.

Rental of Office building - It was still under construction.

Traffic fines was increased as the municipality anticipated to collect more as surplus funds were invested in liquidity plus account that generated more interest.

Government Grants-R4,500,000 from Sport and Recreation for completion of Mawombe sport field, reduced by R49,000 and R100,000 for Schemes Support.

Donations were adjusted by R33,000,000 due to funding for completion of Thusong Centre and testing ground

Capital Transfers were also adjusted and included the R2 million for Small Town Rehabilitation.

Remuneration for councillors has been adjusted because of the Gazette on upper limits issued in December 2018

Licences were reduced as it was not realistic to collect as anticipated. There has been reduction in demand for learners licences.

Depreciation was adjusted as it was under budgeted when compared to previous years actual and also taking into account projects that were to be completed in the current year.

Contracted services-Extention of scope on cleaning, security, marketing and branding.

## **uMfolozi Municipality**

(Registration number KZN281)

Annual Financial Statements for the year ended 30 June 2019

### **Notes to the Annual Financial Statements**

|                 | 30 June<br>2019 | 30 June<br>2018 |
|-----------------|-----------------|-----------------|
| Figures in Rand |                 |                 |

#### **45. Budget differences (continued)**

Operational costs-The municipality anticipated to collect more funds hence expenditure was allocated more on operational projects there there were originally under budgeted.

**uMfolozi Municipality**  
**Appendix B**

**Analysis of property, plant and equipment as at 30 June 2019**  
**Cost/Revaluation**

**Accumulated depreciation**

|  | Opening<br>Balance<br>Rand | Additions<br>Rand | Disposals<br>Rand | Transfers<br>Rand | Revaluations<br>Rand | Other changes,<br>movements<br>Rand | Closing<br>Balance<br>Rand | Opening<br>Balance<br>Rand | Disposals<br>Rand | Transfers<br>Rand | Depreciation<br>Rand | Impairment loss<br>Rand | Closing<br>Balance<br>Rand | Carrying<br>value<br>Rand |
|--|----------------------------|-------------------|-------------------|-------------------|----------------------|-------------------------------------|----------------------------|----------------------------|-------------------|-------------------|----------------------|-------------------------|----------------------------|---------------------------|
| <b>Land and buildings</b>  |                            |                   |                   |                   |                      |                                     |                            |                            |                   |                   |                      |                         |                            |                           |
| Land (Separate for AFS purposes)                                   | -                          | -                 | -                 | -                 | -                    | -                                   | -                          | -                          | -                 | -                 | -                    | -                       | -                          | -                         |
| Landfill Sites (Separate for AFS purposes)                         | -                          | -                 | -                 | -                 | -                    | -                                   | -                          | -                          | -                 | -                 | -                    | -                       | -                          | -                         |
| Quarries (Separate for AFS purposes)                               | -                          | -                 | -                 | -                 | -                    | -                                   | -                          | -                          | -                 | -                 | -                    | -                       | -                          | -                         |
| Buildings (Separate for AFS purposes)                              | -                          | -                 | -                 | -                 | -                    | -                                   | -                          | -                          | -                 | -                 | -                    | -                       | -                          | -                         |
| <b>Infrastructure</b>  |                            |                   |                   |                   |                      |                                     |                            |                            |                   |                   |                      |                         |                            |                           |
| Road Infrastructure  | 88,913,864                 | 434,912           | -                 | 4,738,486         | -                    | -                                   | 94,086,762                 | (15,122,890)               | -                 | -                 | (3,053,171)          | -                       | (18,178,061)               | 75,910,701                |
| Storm water  | 286,174                    | -                 | -                 | -                 | -                    | -                                   | 286,174                    | (195,705)                  | -                 | -                 | (4,005)              | -                       | (199,710)                  | 86,464                    |
| Water Supply   | 28,646                     | -                 | -                 | -                 | -                    | -                                   | 28,646                     | (3,385)                    | -                 | -                 | (1,803)              | -                       | (6,189)                    | 23,448                    |
| ICT  | -                          | 1,874,887         | -                 | 97,811            | -                    | -                                   | 1,972,698                  | -                          | -                 | -                 | (86,857)             | -                       | (86,857)                   | 1,905,841                 |
| Street lighting  | -                          | -                 | -                 | -                 | -                    | -                                   | -                          | -                          | -                 | -                 | -                    | -                       | -                          | -                         |
| Dams & Reservoirs  | -                          | -                 | -                 | -                 | -                    | -                                   | -                          | -                          | -                 | -                 | -                    | -                       | -                          | -                         |
| Water purification   | -                          | -                 | -                 | -                 | -                    | -                                   | -                          | -                          | -                 | -                 | -                    | -                       | -                          | -                         |
| Retiulation  | -                          | -                 | -                 | -                 | -                    | -                                   | -                          | -                          | -                 | -                 | -                    | -                       | -                          | -                         |
| Sewerage purification  | -                          | -                 | -                 | -                 | -                    | -                                   | -                          | -                          | -                 | -                 | -                    | -                       | -                          | -                         |
| Transportation (Airports, Car Parks, Bus Terminals and Taxi Ranks) | -                          | -                 | -                 | -                 | -                    | -                                   | -                          | -                          | -                 | -                 | -                    | -                       | -                          | -                         |
| Housing  | -                          | -                 | -                 | -                 | -                    | -                                   | -                          | -                          | -                 | -                 | -                    | -                       | -                          | -                         |
| Waste Management   | -                          | -                 | -                 | -                 | -                    | -                                   | -                          | -                          | -                 | -                 | -                    | -                       | -                          | -                         |
| Gas  | -                          | -                 | -                 | -                 | -                    | -                                   | -                          | -                          | -                 | -                 | -                    | -                       | -                          | -                         |
| Other (fibre optic, WIFI Infrastructure)                           | -                          | -                 | -                 | -                 | -                    | -                                   | -                          | -                          | -                 | -                 | -                    | -                       | -                          | -                         |
| Other <sup>1</sup>   | -                          | -                 | -                 | -                 | -                    | -                                   | -                          | -                          | -                 | -                 | -                    | -                       | -                          | -                         |
| <b>Community Assets</b>  | <b>89,228,484</b>          | <b>2,309,499</b>  | <b>-</b>          | <b>4,836,297</b>  | <b>-</b>             | <b>-</b>                            | <b>96,374,280</b>          | <b>(15,321,990)</b>        | <b>-</b>          | <b>-</b>          | <b>(3,126,836)</b>   | <b>-</b>                | <b>(18,447,826)</b>        | <b>77,926,454</b>         |
|  | <b>111,734,907</b>         | <b>532,143</b>    | <b>-</b>          | <b>5,716,808</b>  | <b>-</b>             | <b>-</b>                            | <b>117,983,858</b>         | <b>(23,639,234)</b>        | <b>-</b>          | <b>-</b>          | <b>(3,195,984)</b>   | <b>-</b>                | <b>(26,835,218)</b>        | <b>91,148,640</b>         |

**uMfolozi Municipality**  
**Appendix B**

**Analysis of property, plant and equipment as at 30 June 2019**  
**Cost/Revaluation**

**Accumulated depreciation**

|  | Opening<br>Balance<br>Rand | Additions<br>Rand | Disposals<br>Rand  | Transfers<br>Rand   | Revaluations<br>Rand | Other changes,<br>movements<br>Rand | Closing<br>Balance<br>Rand | Opening<br>Balance<br>Rand | Disposals<br>Rand | Transfers<br>Rand | Depreciation<br>Rand | Impairment loss<br>Rand | Closing<br>Balance<br>Rand | Carrying<br>value<br>Rand |
|--|----------------------------|-------------------|--------------------|---------------------|----------------------|-------------------------------------|----------------------------|----------------------------|-------------------|-------------------|----------------------|-------------------------|----------------------------|---------------------------|
| <b>Heritage assets</b>                         | -                          | -                 | -                  | -                   | -                    | -                                   | -                          | -                          | -                 | -                 | -                    | -                       | -                          | -                         |
| <b>Specialised vehicles</b>                    | -                          | -                 | -                  | -                   | -                    | -                                   | -                          | -                          | -                 | -                 | -                    | -                       | -                          | -                         |
| <b>Other assets</b>                            | -                          | -                 | -                  | -                   | -                    | -                                   | -                          | -                          | -                 | -                 | -                    | -                       | -                          | -                         |
| General vehicles                               | -                          | -                 | -                  | -                   | -                    | -                                   | -                          | -                          | -                 | -                 | -                    | -                       | -                          | -                         |
| Machinery and Equipment                        | 2,427,569                  | 91,989            | (1,176,929)        | -                   | -                    | -                                   | 1,342,659                  | (1,440,930)                | 929,872           | -                 | (126,484)            | -                       | (637,542)                  | 705,117                   |
| Computer Equipment                             | 2,296,951                  | 2,039,219         | (1,330,081)        | -                   | -                    | -                                   | 3,006,089                  | (1,166,345)                | 895,459           | -                 | (259,703)            | -                       | (630,569)                  | 2,474,500                 |
| Computer Software (part of computer equipment) | -                          | -                 | -                  | -                   | -                    | -                                   | -                          | -                          | -                 | -                 | -                    | -                       | -                          | -                         |
| Furniture & office equipment                   | 3,176,562                  | 1,345,101         | (579,957)          | -                   | -                    | -                                   | 3,941,706                  | (1,919,173)                | 454,786           | -                 | (215,629)            | -                       | (1,680,016)                | 2,261,890                 |
| Leased Furniture & Office Equipment            | 1,174,323                  | -                 | (1,174,323)        | -                   | -                    | -                                   | 7,019,883                  | (1,166,716)                | 1,166,301         | -                 | (1,585)              | -                       | (2,950,459)                | 4,069,424                 |
| Leased Transport Assets                        | 9,872,492                  | -                 | (2,652,608)        | -                   | -                    | -                                   | -                          | (4,270,479)                | 1,950,270         | -                 | (630,250)            | -                       | -                          | -                         |
| Abattoirs                                      | -                          | -                 | -                  | -                   | -                    | -                                   | -                          | -                          | -                 | -                 | -                    | -                       | -                          | -                         |
| Markets  | -                          | -                 | -                  | -                   | -                    | -                                   | -                          | -                          | -                 | -                 | -                    | -                       | -                          | -                         |
| Airports                                       | -                          | -                 | -                  | -                   | -                    | -                                   | -                          | -                          | -                 | -                 | -                    | -                       | -                          | -                         |
| Security measures                              | -                          | -                 | -                  | -                   | -                    | -                                   | -                          | -                          | -                 | -                 | -                    | -                       | -                          | -                         |
| Civic land and buildings                       | -                          | -                 | -                  | -                   | -                    | -                                   | -                          | -                          | -                 | -                 | -                    | -                       | -                          | -                         |
| Other buildings                                | -                          | -                 | -                  | -                   | -                    | -                                   | -                          | -                          | -                 | -                 | -                    | -                       | -                          | -                         |
| Land   | 10,404,853                 | -                 | -                  | -                   | -                    | -                                   | 10,404,853                 | -                          | -                 | -                 | -                    | -                       | -                          | 10,404,853                |
| Bins and Containers                            | -                          | -                 | -                  | -                   | -                    | -                                   | -                          | -                          | -                 | -                 | -                    | -                       | -                          | -                         |
| Work in progress                               | 50,957,421                 | 57,873,087        | -                  | (53,607,574)        | -                    | -                                   | 55,222,934                 | (8,043,095)                | -                 | -                 | (555,936)            | -                       | (8,599,031)                | 55,222,934                |
| Other Assets                                   | 20,219,845                 | -                 | -                  | 43,064,470          | -                    | -                                   | 63,274,415                 | (4,423,836)                | -                 | -                 | (890,062)            | -                       | (3,624,041)                | 54,675,384                |
| Transport Assets                               | 6,821,909                  | 2,083,097         | (1,789,559)        | -                   | -                    | -                                   | 7,116,347                  | (4,423,836)                | 1,789,657         | -                 | -                    | -                       | -                          | 3,591,306                 |
| Surplus Assets - (Investment or Inventory)     | -                          | -                 | -                  | -                   | -                    | -                                   | -                          | -                          | -                 | -                 | -                    | -                       | -                          | -                         |
| Housing development                            | -                          | -                 | -                  | -                   | -                    | -                                   | -                          | -                          | -                 | -                 | -                    | -                       | -                          | -                         |
| Other  | -                          | -                 | -                  | -                   | -                    | -                                   | -                          | -                          | -                 | -                 | -                    | -                       | -                          | -                         |
| <b>Total</b>                                   | <b>107,151,066</b>         | <b>63,432,493</b> | <b>(8,703,588)</b> | <b>(10,563,104)</b> | <b>-</b>             | <b>-</b>                            | <b>151,326,866</b>         | <b>(22,430,374)</b>        | <b>7,188,346</b>  | <b>-</b>          | <b>(2,879,649)</b>   | <b>-</b>                | <b>(17,921,878)</b>        | <b>133,405,208</b>        |

uMfolozi Municipality  
Appendix B

Analysis of property, plant and equipment as at 30 June 2019  
Cost/Revaluation Accumulated depreciation

|   | Opening<br>Balance<br>Rand | Additions<br>Rand | Disposals<br>Rand  | Transfers<br>Rand | Revaluations<br>Rand | Other changes,<br>movements<br>Rand | Closing<br>Balance<br>Rand | Opening<br>Balance<br>Rand | Disposals<br>Rand | Transfers<br>Rand | Depreciation<br>Rand | Impairment loss<br>Rand | Closing<br>Balance<br>Rand | Carrying<br>value<br>Rand |
|---|----------------------------|-------------------|--------------------|-------------------|----------------------|-------------------------------------|----------------------------|----------------------------|-------------------|-------------------|----------------------|-------------------------|----------------------------|---------------------------|
| <b>Total property plant and equipment</b> |                            |                   |                    |                   |                      |                                     |                            |                            |                   |                   |                      |                         |                            |                           |
| Land and buildings                        | 89,228,484                 | 2,309,499         | -                  | -                 | -                    | -                                   | 96,374,280                 | (15,321,990)               | -                 | -                 | -                    | -                       | (18,447,826)               | 77,926,454                |
| Infrastructure                            | 111,734,907                | 532,143           | -                  | 4,836,297         | -                    | -                                   | 117,983,858                | (23,639,234)               | -                 | -                 | (3,125,836)          | -                       | (26,835,218)               | 91,148,640                |
| Community Assets                          | -                          | -                 | -                  | 5,716,808         | -                    | -                                   | -                          | -                          | -                 | -                 | (3,195,984)          | -                       | -                          | -                         |
| Heritage assets                           | -                          | -                 | -                  | -                 | -                    | -                                   | -                          | -                          | -                 | -                 | -                    | -                       | -                          | -                         |
| Specialised vehicles                      | -                          | -                 | -                  | -                 | -                    | -                                   | -                          | -                          | -                 | -                 | -                    | -                       | -                          | -                         |
| Other assets                              | 107,151,055                | 63,432,493        | (8,703,558)        | (10,553,104)      | -                    | -                                   | 151,326,886                | (22,430,374)               | 7,188,345         | -                 | (2,678,649)          | -                       | (17,921,678)               | 133,405,208               |
|   | <b>308,114,446</b>         | <b>66,274,135</b> | <b>(8,703,558)</b> | <b>1</b>          | <b>-</b>             | <b>-</b>                            | <b>365,685,024</b>         | <b>(61,391,598)</b>        | <b>7,188,345</b>  | <b>-</b>          | <b>(9,001,469)</b>   | <b>-</b>                | <b>(83,204,722)</b>        | <b>302,480,302</b>        |
| Agricultural/Biological assets            | -                          | -                 | -                  | -                 | -                    | -                                   | -                          | -                          | -                 | -                 | -                    | -                       | -                          | -                         |
| Intangible assets                         | -                          | -                 | -                  | -                 | -                    | -                                   | -                          | -                          | -                 | -                 | -                    | -                       | -                          | -                         |
| Computers - software & other              | 1,371,925                  | 2,044,877         | -                  | -                 | -                    | -                                   | 3,416,802                  | (610,145)                  | -                 | -                 | (334,722)            | -                       | (944,867)                  | 2,471,935                 |
| Other                                     | -                          | -                 | -                  | -                 | -                    | -                                   | -                          | -                          | -                 | -                 | -                    | -                       | -                          | -                         |
|   | <b>1,371,925</b>           | <b>2,044,877</b>  | <b>-</b>           | <b>-</b>          | <b>-</b>             | <b>-</b>                            | <b>3,416,802</b>           | <b>(610,145)</b>           | <b>-</b>          | <b>-</b>          | <b>(334,722)</b>     | <b>-</b>                | <b>(944,867)</b>           | <b>2,471,935</b>          |
| Investment properties                     | -                          | -                 | -                  | -                 | -                    | -                                   | -                          | -                          | -                 | -                 | -                    | -                       | -                          | -                         |
| <b>Total</b>                              |                            |                   |                    |                   |                      |                                     |                            |                            |                   |                   |                      |                         |                            |                           |
| Land and buildings                        | 89,228,484                 | 2,309,499         | -                  | -                 | -                    | -                                   | 96,374,280                 | (15,321,990)               | -                 | -                 | -                    | -                       | (18,447,826)               | 77,926,454                |
| Infrastructure                            | 111,734,907                | 532,143           | -                  | 4,836,297         | -                    | -                                   | 117,983,858                | (23,639,234)               | -                 | -                 | (3,125,836)          | -                       | (26,835,218)               | 91,148,640                |
| Community Assets                          | -                          | -                 | -                  | 5,716,808         | -                    | -                                   | -                          | -                          | -                 | -                 | (3,195,984)          | -                       | -                          | -                         |
| Heritage assets                           | -                          | -                 | -                  | -                 | -                    | -                                   | -                          | -                          | -                 | -                 | -                    | -                       | -                          | -                         |
| Specialised vehicles                      | -                          | -                 | -                  | -                 | -                    | -                                   | -                          | -                          | -                 | -                 | -                    | -                       | -                          | -                         |
| Other assets                              | 107,151,055                | 63,432,493        | (8,703,558)        | (10,553,104)      | -                    | -                                   | 151,326,886                | (22,430,374)               | 7,188,345         | -                 | (2,678,649)          | -                       | (17,921,678)               | 133,405,208               |
| Agricultural/Biological assets            | 1,371,925                  | 2,044,877         | -                  | -                 | -                    | -                                   | 3,416,802                  | (610,145)                  | -                 | -                 | (334,722)            | -                       | (944,867)                  | 2,471,935                 |
| Intangible assets                         | -                          | -                 | -                  | -                 | -                    | -                                   | -                          | -                          | -                 | -                 | -                    | -                       | -                          | -                         |
| Investment properties                     | 309,486,371                | 68,319,012        | (8,703,558)        | 1                 | -                    | -                                   | 389,101,826                | (62,001,743)               | 7,188,345         | -                 | (9,336,191)          | -                       | (64,149,589)               | 304,952,237               |

**uMfolozi Municipality**  
**Appendix B**

**Analysis of property, plant and equipment as at 30 June 2018**  
**Cost/Revaluation**

**Accumulated depreciation**

|  | Opening<br>Balance<br>Rand | Additions<br>Rand | Disposals<br>Rand | Transfers<br>Rand | Revaluations<br>Rand | Other changes,<br>movements<br>Rand | Closing<br>Balance<br>Rand | Opening<br>Balance<br>Rand | Disposals<br>Rand | Transfers<br>Rand | Depreciation<br>Rand | Impairment loss<br>Rand | Closing<br>Balance<br>Rand | Carrying<br>value<br>Rand |
|--|----------------------------|-------------------|-------------------|-------------------|----------------------|-------------------------------------|----------------------------|----------------------------|-------------------|-------------------|----------------------|-------------------------|----------------------------|---------------------------|
| <b>Land and buildings</b>  |                            |                   |                   |                   |                      |                                     |                            |                            |                   |                   |                      |                         |                            |                           |
| Land (Separate for AFS purposes)                                   | -                          | -                 | -                 | -                 | -                    | -                                   | -                          | -                          | -                 | -                 | -                    | -                       | -                          | -                         |
| Landfill Sites (Separate for AFS purposes)                         | -                          | -                 | -                 | -                 | -                    | -                                   | -                          | -                          | -                 | -                 | -                    | -                       | -                          | -                         |
| Quarries (Separate for AFS purposes)                               | -                          | -                 | -                 | -                 | -                    | -                                   | -                          | -                          | -                 | -                 | -                    | -                       | -                          | -                         |
| Buildings (Separate for AFS purposes)                              | -                          | -                 | -                 | -                 | -                    | -                                   | -                          | -                          | -                 | -                 | -                    | -                       | -                          | -                         |
|  | -                          | -                 | -                 | -                 | -                    | -                                   | -                          | -                          | -                 | -                 | -                    | -                       | -                          | -                         |
| <b>Infrastructure</b>  |                            |                   |                   |                   |                      |                                     |                            |                            |                   |                   |                      |                         |                            |                           |
| Roads, Pavements & Bridges   | 41,196,062                 | -                 | -                 | 25,984,821        | -                    | -                                   | 67,170,883                 | (12,087,975)               | -                 | -                 | (1,805,949)          | -                       | (13,893,924)               | 53,276,959                |
| Storm water  | 205,245                    | -                 | -                 | -                 | -                    | -                                   | 205,245                    | (143,672)                  | -                 | -                 | (10,262)             | -                       | (153,934)                  | 51,311                    |
| Generation   | -                          | -                 | -                 | -                 | -                    | -                                   | -                          | -                          | -                 | -                 | -                    | -                       | -                          | -                         |
| Transmission & Retention   | -                          | -                 | -                 | -                 | -                    | -                                   | -                          | -                          | -                 | -                 | -                    | -                       | -                          | -                         |
| Street lighting  | 701,118                    | -                 | -                 | 1,389,362         | -                    | -                                   | 2,090,480                  | (151,655)                  | -                 | -                 | (46,527)             | -                       | (198,182)                  | 1,892,298                 |
| Dams & Reservoirs  | -                          | -                 | -                 | -                 | -                    | -                                   | -                          | -                          | -                 | -                 | -                    | -                       | -                          | -                         |
| Pavements  | 48,417                     | -                 | -                 | -                 | -                    | -                                   | 48,417                     | (20,991)                   | -                 | -                 | (1,614)              | -                       | (22,605)                   | 25,822                    |
| Road signs   | 10,800                     | -                 | -                 | -                 | -                    | -                                   | 10,800                     | (6,840)                    | -                 | -                 | (360)                | -                       | (7,200)                    | 3,600                     |
| Retention  | -                          | -                 | -                 | -                 | -                    | -                                   | -                          | -                          | -                 | -                 | -                    | -                       | -                          | -                         |
| Sewerage purification  | -                          | -                 | -                 | -                 | -                    | -                                   | -                          | -                          | -                 | -                 | -                    | -                       | -                          | -                         |
| Transportation (Airports, Car Parks, Bus Terminals and Taxi Ranks) | 8,741,595                  | -                 | -                 | 3,195,088         | -                    | -                                   | 11,936,683                 | (688,118)                  | -                 | -                 | (344,638)            | -                       | (1,032,766)                | 10,903,927                |
| Housing  | -                          | -                 | -                 | -                 | -                    | -                                   | -                          | -                          | -                 | -                 | -                    | -                       | -                          | -                         |
| Waste Management   | -                          | -                 | -                 | -                 | -                    | -                                   | -                          | -                          | -                 | -                 | -                    | -                       | -                          | -                         |
| Gas  | -                          | -                 | -                 | -                 | -                    | -                                   | -                          | -                          | -                 | -                 | -                    | -                       | -                          | -                         |
| Other (fibre optic, WIFI infrastructure)                           | -                          | -                 | -                 | -                 | -                    | -                                   | -                          | -                          | -                 | -                 | -                    | -                       | -                          | -                         |
| Other 1  | -                          | -                 | -                 | -                 | -                    | -                                   | -                          | -                          | -                 | -                 | -                    | -                       | -                          | -                         |
|  | <b>60,893,237</b>          | -                 | -                 | <b>30,569,271</b> | -                    | -                                   | <b>91,462,508</b>          | <b>(13,059,241)</b>        | -                 | -                 | <b>(2,205,360)</b>   | -                       | <b>(15,308,591)</b>        | <b>66,153,917</b>         |
| <b>Community Assets</b>  |                            |                   |                   |                   |                      |                                     |                            |                            |                   |                   |                      |                         |                            |                           |
|  | <b>71,298,074</b>          | -                 | -                 | <b>19,506,707</b> | -                    | -                                   | <b>90,804,781</b>          | <b>(18,038,607)</b>        | -                 | -                 | <b>(1,425,761)</b>   | -                       | <b>(22,428,932)</b>        | <b>77,036,226</b>         |

**uMfolozi Municipality**  
**Appendix B**

**Analysis of property, plant and equipment as at 30 June 2018**  
**Cost/Revaluation**

**Accumulated depreciation**

|  | Opening<br>Balance<br>Rand | Additions<br>Rand | Disposals<br>Rand | Transfers<br>Rand   | Revaluations<br>Rand | Other changes,<br>movements<br>Rand | Closing<br>Balance<br>Rand | Opening<br>Balance<br>Rand | Disposals<br>Rand | Transfers<br>Rand | Depreciation<br>Rand | Impairment loss<br>Rand | Closing<br>Balance<br>Rand | Carrying<br>value<br>Rand |
|--|----------------------------|-------------------|-------------------|---------------------|----------------------|-------------------------------------|----------------------------|----------------------------|-------------------|-------------------|----------------------|-------------------------|----------------------------|---------------------------|
| <b>Heritage assets</b>                         |                            |                   |                   |                     |                      |                                     |                            |                            |                   |                   |                      |                         |                            |                           |
| Buildings                                      | -                          | -                 | -                 | -                   | -                    | -                                   | -                          | -                          | -                 | -                 | -                    | -                       | -                          | -                         |
| Other  | -                          | -                 | -                 | -                   | -                    | -                                   | -                          | -                          | -                 | -                 | -                    | -                       | -                          | -                         |
| <b>Specialised vehicles</b>                    |                            |                   |                   |                     |                      |                                     |                            |                            |                   |                   |                      |                         |                            |                           |
| Refuse   | -                          | -                 | -                 | -                   | -                    | -                                   | -                          | -                          | -                 | -                 | -                    | -                       | -                          | -                         |
| Fire   | -                          | -                 | -                 | -                   | -                    | -                                   | -                          | -                          | -                 | -                 | -                    | -                       | -                          | -                         |
| Conservancy                                    | -                          | -                 | -                 | -                   | -                    | -                                   | -                          | -                          | -                 | -                 | -                    | -                       | -                          | -                         |
| Ambulances                                     | -                          | -                 | -                 | -                   | -                    | -                                   | -                          | -                          | -                 | -                 | -                    | -                       | -                          | -                         |
| Buses  | -                          | -                 | -                 | -                   | -                    | -                                   | -                          | -                          | -                 | -                 | -                    | -                       | -                          | -                         |
| <b>Other assets</b>                            |                            |                   |                   |                     |                      |                                     |                            |                            |                   |                   |                      |                         |                            |                           |
| General vehicles                               | 3,944,112                  | -                 | -                 | -                   | -                    | 1,584,359                           | 5,428,471                  | (3,944,107)                | -                 | (442,833)         | (127,651)            | -                       | (4,414,591)                | 1,013,880                 |
| Plant & equipment                              | 2,408,215                  | 783,605           | -                 | -                   | -                    | -                                   | 3,191,820                  | (1,578,244)                | -                 | -                 | -                    | -                       | (1,578,244)                | 1,613,576                 |
| Computer Equipment                             | -                          | -                 | -                 | -                   | -                    | -                                   | -                          | -                          | -                 | -                 | -                    | -                       | -                          | -                         |
| Computer Software (part of computer equipment) | -                          | -                 | -                 | -                   | -                    | -                                   | -                          | -                          | -                 | -                 | -                    | -                       | -                          | -                         |
| Furniture & Fittings                           | 2,405,330                  | 20,743            | -                 | -                   | -                    | 114,870                             | 2,540,943                  | (1,432,774)                | -                 | (45,948)          | (207,157)            | -                       | (1,685,879)                | 855,064                   |
| Leased Vehicles                                | 6,784,803                  | 3,836,000         | -                 | -                   | -                    | -                                   | 10,620,803                 | (2,548,197)                | -                 | -                 | (1,368,951)          | -                       | (3,917,158)                | 6,713,645                 |
| Office Equipment - Leased                      | 1,174,323                  | -                 | -                 | -                   | -                    | -                                   | 1,174,323                  | (992,425)                  | -                 | -                 | (172,388)            | -                       | (1,164,814)                | 9,508                     |
| Other movable assets                           | 631,298                    | -                 | -                 | -                   | -                    | -                                   | 631,298                    | (631,298)                  | -                 | -                 | -                    | -                       | (631,298)                  | -                         |
| Markets  | -                          | -                 | -                 | -                   | -                    | -                                   | -                          | -                          | -                 | -                 | -                    | -                       | -                          | -                         |
| Airports                                       | -                          | -                 | -                 | -                   | -                    | -                                   | -                          | -                          | -                 | -                 | -                    | -                       | -                          | -                         |
| Security measures                              | -                          | -                 | -                 | -                   | -                    | -                                   | -                          | -                          | -                 | -                 | -                    | -                       | -                          | -                         |
| Civic land and buildings                       | -                          | -                 | -                 | -                   | -                    | -                                   | -                          | -                          | -                 | -                 | -                    | -                       | -                          | -                         |
| Buildings                                      | 7,902,206                  | 95,163            | -                 | -                   | -                    | -                                   | 7,997,369                  | (4,051,200)                | -                 | -                 | (294,876)            | -                       | (4,346,176)                | 3,651,193                 |
| Land   | 10,404,853                 | -                 | -                 | -                   | -                    | -                                   | 10,404,853                 | -                          | -                 | -                 | -                    | -                       | -                          | 10,404,853                |
| Bins and Containers                            | -                          | -                 | -                 | -                   | -                    | -                                   | -                          | -                          | -                 | -                 | -                    | -                       | -                          | -                         |
| Work in progress                               | -                          | -                 | -                 | -                   | -                    | -                                   | -                          | -                          | -                 | -                 | -                    | -                       | -                          | -                         |
| Other  | 72,418,438                 | 36,585,107        | -                 | (50,075,878)        | -                    | 5,378,684                           | 64,306,251                 | -                          | -                 | -                 | -                    | -                       | -                          | 64,306,251                |
| Other Assets - Leased                          | -                          | -                 | -                 | -                   | -                    | -                                   | -                          | -                          | -                 | -                 | -                    | -                       | -                          | -                         |
| Supplies Assets - (Investment or Inventory)    | -                          | -                 | -                 | -                   | -                    | -                                   | -                          | -                          | -                 | -                 | -                    | -                       | -                          | -                         |
| Housing development                            | -                          | -                 | -                 | -                   | -                    | -                                   | -                          | -                          | -                 | -                 | -                    | -                       | -                          | -                         |
| Other  | -                          | -                 | -                 | -                   | -                    | -                                   | -                          | -                          | -                 | -                 | -                    | -                       | -                          | -                         |
| <b>TOTAL</b>                                   | <b>107,983,578</b>         | <b>41,320,618</b> | <b>-</b>          | <b>(50,075,878)</b> | <b>-</b>             | <b>7,077,913</b>                    | <b>105,306,131</b>         | <b>(15,078,245)</b>        | <b>-</b>          | <b>(488,761)</b>  | <b>(2,171,134)</b>   | <b>-</b>                | <b>(17,738,160)</b>        | <b>88,667,971</b>         |

**uMfolozi Municipality**  
**Appendix B**

**Analysis of property, plant and equipment as at 30 June 2018**  
**Cost/Revaluation**

**Accumulated depreciation**

|   | Opening<br>Balance<br>Rand | Additions<br>Rand | Disposals<br>Rand | Transfers<br>Rand | Revaluations<br>Rand | Other changes,<br>movements<br>Rand | Closing<br>Balance<br>Rand | Opening<br>Balance<br>Rand | Disposals<br>Rand | Transfers<br>Rand  | Depreciation<br>Rand | Impairment loss<br>Rand | Closing<br>Balance<br>Rand | Carrying<br>value<br>Rand |
|---|----------------------------|-------------------|-------------------|-------------------|----------------------|-------------------------------------|----------------------------|----------------------------|-------------------|--------------------|----------------------|-------------------------|----------------------------|---------------------------|
| <b>Total property plant and equipment</b> |                            |                   |                   |                   |                      |                                     |                            |                            |                   |                    |                      |                         |                            |                           |
| Land and buildings                        | 50,893,237                 | -                 | -                 | 30,589,271        | -                    | -                                   | 81,482,508                 | (13,099,241)               | -                 | -                  | -                    | -                       | (15,308,591)               | 66,153,917                |
| Infrastructure                            | 71,288,074                 | -                 | -                 | 19,506,707        | -                    | 8,670,377                           | 99,466,168                 | (18,038,607)               | -                 | (1,425,761)        | (2,209,350)          | -                       | (22,428,932)               | 77,036,226                |
| Community Assets                          | -                          | -                 | -                 | -                 | -                    | -                                   | -                          | -                          | -                 | -                  | (2,964,564)          | -                       | -                          | -                         |
| Heritage assets                           | -                          | -                 | -                 | -                 | -                    | -                                   | -                          | -                          | -                 | -                  | -                    | -                       | -                          | -                         |
| Specialised vehicles                      | -                          | -                 | -                 | -                 | -                    | -                                   | -                          | -                          | -                 | -                  | -                    | -                       | -                          | -                         |
| Other assets                              | 107,983,578                | 41,320,618        | -                 | (50,075,978)      | -                    | 7,077,913                           | 106,306,131                | (15,078,245)               | -                 | (488,781)          | (2,171,134)          | -                       | (17,738,160)               | 88,567,971                |
|   | <b>230,164,889</b>         | <b>41,320,618</b> | <b>-</b>          | <b>-</b>          | <b>-</b>             | <b>16,748,290</b>                   | <b>287,233,797</b>         | <b>(46,216,093)</b>        | <b>-</b>          | <b>(1,914,542)</b> | <b>(7,345,048)</b>   | <b>-</b>                | <b>(55,475,683)</b>        | <b>231,768,114</b>        |
| <b>Agricultural/Biological assets</b>     |                            |                   |                   |                   |                      |                                     |                            |                            |                   |                    |                      |                         |                            |                           |
| Agricultural                              | -                          | -                 | -                 | -                 | -                    | -                                   | -                          | -                          | -                 | -                  | -                    | -                       | -                          | -                         |
| Biological assets                         | -                          | -                 | -                 | -                 | -                    | -                                   | -                          | -                          | -                 | -                  | -                    | -                       | -                          | -                         |
| <b>Intangible assets</b>                  |                            |                   |                   |                   |                      |                                     |                            |                            |                   |                    |                      |                         |                            |                           |
| Computers - software & other              | 162,978                    | 1,096,491         | -                 | -                 | -                    | -                                   | 1,259,469                  | (151,401)                  | -                 | -                  | (157,776)            | -                       | (309,177)                  | 950,292                   |
| Other                                     | -                          | -                 | -                 | -                 | -                    | -                                   | -                          | -                          | -                 | -                  | -                    | -                       | -                          | -                         |
|   | <b>162,978</b>             | <b>1,096,491</b>  | <b>-</b>          | <b>-</b>          | <b>-</b>             | <b>-</b>                            | <b>1,259,469</b>           | <b>(151,401)</b>           | <b>-</b>          | <b>-</b>           | <b>(157,776)</b>     | <b>-</b>                | <b>(309,177)</b>           | <b>950,292</b>            |
| <b>Investment properties</b>              |                            |                   |                   |                   |                      |                                     |                            |                            |                   |                    |                      |                         |                            |                           |
| Investment property                       | -                          | -                 | -                 | -                 | -                    | -                                   | -                          | -                          | -                 | -                  | -                    | -                       | -                          | -                         |
|   | <b>-</b>                   | <b>-</b>          | <b>-</b>          | <b>-</b>          | <b>-</b>             | <b>-</b>                            | <b>-</b>                   | <b>-</b>                   | <b>-</b>          | <b>-</b>           | <b>-</b>             | <b>-</b>                | <b>-</b>                   | <b>-</b>                  |
| <b>Total</b>                              |                            |                   |                   |                   |                      |                                     |                            |                            |                   |                    |                      |                         |                            |                           |
| Land and buildings                        | 50,893,237                 | -                 | -                 | 30,589,271        | -                    | -                                   | 81,482,508                 | (13,099,241)               | -                 | -                  | -                    | -                       | (15,308,591)               | 66,153,917                |
| Infrastructure                            | 71,288,074                 | -                 | -                 | 19,506,707        | -                    | 8,670,377                           | 99,466,168                 | (18,038,607)               | -                 | (1,425,761)        | (2,209,350)          | -                       | (22,428,932)               | 77,036,226                |
| Community Assets                          | -                          | -                 | -                 | -                 | -                    | -                                   | -                          | -                          | -                 | -                  | -                    | -                       | -                          | -                         |
| Heritage assets                           | -                          | -                 | -                 | -                 | -                    | -                                   | -                          | -                          | -                 | -                  | -                    | -                       | -                          | -                         |
| Specialised vehicles                      | -                          | -                 | -                 | -                 | -                    | -                                   | -                          | -                          | -                 | -                  | -                    | -                       | -                          | -                         |
| Other assets                              | 107,983,578                | 41,320,618        | -                 | (50,075,978)      | -                    | 7,077,913                           | 106,306,131                | (15,078,245)               | -                 | (488,781)          | (2,171,134)          | -                       | (17,738,160)               | 88,567,971                |
| Agricultural/Biological assets            | -                          | -                 | -                 | -                 | -                    | -                                   | -                          | -                          | -                 | -                  | -                    | -                       | -                          | -                         |
| Intangible assets                         | 162,978                    | 1,096,491         | -                 | -                 | -                    | -                                   | 1,259,469                  | (151,401)                  | -                 | -                  | (157,776)            | -                       | (309,177)                  | 950,292                   |
| Investment properties                     | -                          | -                 | -                 | -                 | -                    | -                                   | -                          | -                          | -                 | -                  | -                    | -                       | -                          | -                         |
|   | <b>230,327,867</b>         | <b>42,417,109</b> | <b>-</b>          | <b>-</b>          | <b>-</b>             | <b>16,748,290</b>                   | <b>288,483,266</b>         | <b>(46,367,494)</b>        | <b>-</b>          | <b>(1,914,542)</b> | <b>(7,502,824)</b>   | <b>-</b>                | <b>(55,784,860)</b>        | <b>232,708,406</b>        |